The gentlemen forgers
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FINANCIAL TIMES

Weekend June 20/June 21 1992 EUROPE'S BUSINESS NEWSPAPER D 8523A

Initiative to reform Russia's banking system

An initiative to restructure the Russian banking and financial system and possibly to create a Russian-American investment bank was announced in New York. The plan, to be known as the Russian-*American Bankers Forum, involves the US Federal* Reserve and advisers to Russian president Boris Yeltsin. Page 24

American Express, financial services and travel group, will abandon plans to move 1,500 staff to Canary Wharf, the £1.5bn ($2.8bn) London Docklands project, unless owner Olympia & York pays it fitting-out costs *of £22m due under its lease agreement.* Page 6

ANC anger over massacre: The African National Congress attacked the South African government after the massacre of nearly 40 people at Boipatong in the Vaal triangle, but will not pull out of negotiations for constitutional change. Page 4

Let-down for inflatable castles

The market for bouncy castles is in danger of collapse as more and more would-be entrepreneurs buy them for £1,000 ($1,850) upwards and hire them to fetes and children's parties. Page 24

Exxon case arrests: Two people have been arrested in New Jersey in connection with the disappearance in April of Exxon executive Sidney Reso, who vanished on his way to work in New York and is still missing.

WPP Group, marketing services company, has had its accounts *qualified* by auditors Arthur Andersen, because it is in the middle of a £500m ($925m) refinancing. The group agreed one refinancing in April 1991, but is now close to breaching *banking covenants.* Page 10; Lex, Page 24

Ex-Lotus chief jailed: Fred Bushell, former chairman of car company Group Lotus, was jailed for three years and fined £2.25m ($4.16m) for his part in a conspiracy that defrauded De Lorean Motor Cars, Belfast manufacturing subsidiary of John De Lorean's failed sports car venture, of $17.65m. Page 5

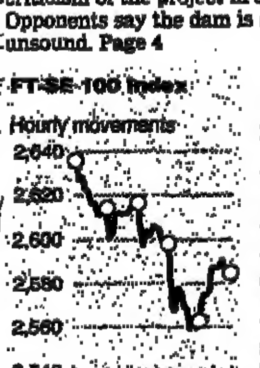
Teeth for defence body: Ministers from nine European countries agreed to give the dormant Western European Union defence organisation a genuine military capability, but disagreed on the circumstances in which its troops would be made available. Page 3

Euro Disney, owner of the Euro Disneyland *theme park near Paris, is to build a second park* and has announced plans for a third. Page 12

UN negotiator to quit: Assistant United Nations secretary-general Giandomenico Picco, hostage troubleshooter and chief negotiator with Iraq on possible oil sales, is to leave the UN next month for personal reasons. Page 3

Lloyd's reforms sought: A group of Names wants Lloyd's of London to hold an extraordinary general meeting next week to discuss reforms at the insurance market. Page 6; Lex, Page 24

Dam scheme to be modified: The World Bank is to modify plans for a $3bn Narmada dam irrigation system in central India after accepting criticism of the project in an independent report. Opponents *say* the dam is environmentally unsound. Page 4



Equities: London prices recovered after *a grim few days beset* by political worries and corporate gloom. However, turnover was not significantly boosted by speculation that a bidder was interested in glassmaker Pilkington and closing volume was 440.6m shares, compared with 517.9m on Thursday. Page 15; Weekend II

Tokyo bounces back: The Japanese stock market rose on hopes that the government might soon boost the economy with a package of public works spending of Y5,000bn-Y8,000bn ($39bn-$63bn). The Nikkei average, which earlier this week fell to its lowest level for five years, jumped 474.31 points to 16,519.87. Page 4; Markets, Page 15

STOCK MARKET INDICES		
FT-SE 100:	2,584.8	(+22.1)
Yield	4.74	
FT-SE Eurotrack 100	1,154.66	(+8.78)
FT-A All-Share	1,248.12	(+0.8%)
Nikkei	16,519.87	(+474.31)
New York lunchtime:		
Dow Jones Ind Ave	3,289.36	(+15.24)
S&P Composite	403.45	(+2.49)
US LUNCHTIME RATES		
Federal Funds:	3⅝%	(3⅝%)
3-mo Treas Bills: Yld	3.735%	(3.684%)
Long Bond	101 27/32	(102¼)
Yield	7.832%	(7.797%)
LONDON MONEY		
3-mo Interbank	10 1/16 %	(10%)
Liffe long gilt future:	Sep 97 23/32	(Sep 97 21/32)
NORTH SEA OIL (Argus)		
Brent 15-day Aug	$21.05	(21.10)
Gold		
New York Comex Aug	$342.4	(344.2)
London	$343.55	(341.95)

STERLING		
New York lunchtime:		
$	1.8615	
London:		
$	1.8585	(1.8655)
DM	2.92	(same)
FFr	9.8325	(9.84)
SFr	2.6325	(2.635)
Y	236.8	(236.5)
£ Index	93.8	(93.1)
DOLLAR		
New York lunchtime:		
DM	1.57075	
FFr	5.286	
SFr	1.4175	
Y	126.9	
London:		
DM	1.57	(1.565)
FFr	5.2875	(5.275)
SFr	1.416	(1.413)
Y	126.95	(126.75)
$ Index	62.2	(62.1)
Tokyo close Y 126.92		

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Irish backing for Maastricht boosts Euro-union hopes

By Tim Coone and David Gardner in Dublin and David Buchan in Brussels

THE IRISH people have overwhelmingly approved the Maastricht treaty, giving a kiss of life to closer European union.

Mr Albert Reynolds, the Irish prime minister, yesterday hailed the two-to-one majority in favour in Thursday's referendum, saying: "It is a great day for Ireland and a great day for Europe. It is a great boost for Ireland in *Europe... Our decision will give* renewed momentum to the ratification of the treaty across Europe".

Following telephone conversations with Mr Jacques Delors, president of the European Commission, and other European Community leaders, Mr Reynolds said: "There is a lot of relief in the cabinets of Europe today."

Had the treaty been voted down as some had feared, it would have had to be renegotiated from scratch. Yesterday's result improves the odds on what will still be a very difficult passage for the treaty in the rest of the Community.

With a "yes" vote of 69 per cent on a 57 per cent turnout, the Irish ratified what the Danes had rejected by a narrow margin two weeks before, plunging the Community into crisis.

Mr Delors praised Ireland for choosing "an active participation in the construction of Europe rather than an isolation without perspective".

The Commission was "delighted for the general climate in the Community in which each country is called upon to pronounce on the new leap forward" contained in the Maastricht treaty.

"This ratification period is a unique opportunity to interest each citizen in the stakes for our future," Mr Delors said. This future would be "a Europe united in the respect for its diversities".

Ireland's "yes" means that next week's Lisbon summit need not turn into the crisis session that would have followed a second rejection of the treaty.

Later today EC foreign ministers gather in Luxembourg to prepare the summit agenda. This is expected to focus on further EC financing, on choosing sites for institutions like the European Monetary Institute and a progress report on developing a common foreign and security policy.

Mr Reynolds said: "We never regarded the result as a foregone conclusion. The campaign has shown up that there is a deficit of information about European developments, and that communication will have to be improved, both here and in other countries, if the Community in its desire to make further progress, is to carry the people with them."

Rural areas in Ireland voted heavily for the treaty despite canvassing by anti-abortion groups. *In working-class urban areas, the* turnout was lower than average and the "no" vote was proportionately higher.

Recent EC disagreement over the size of the Delors II finance package caused alarm in Dublin when it became apparent that the anticipated doubling of structural and cohesion funds for Ireland might not be forthcoming.

In the event, it appears that Irish voters were swayed more by the prospects of longer-term economic benefits than what Mr Reynolds called the "irrelevant and scaremongering issues" raised by a "rainbow coalition" of environmentalists, pacifists and anti-abortion organisations.

Robert Mauthner adds from Bonn: Mr Douglas Hurd, UK foreign secretary, at a meeting of the Western European Union, described the Irish result as "good for Britain and good for Europe".

Two uncertainties, however, remained: the French referendum, which will probably be held in the autumn, and the need to know how the Danes intended to use the time given to them.

IRISH REFERENDUM

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- Commission adopts *humbler profile*
- Major plans to seek new view of accord
- Kohl to press on
- Result lifts gloom in bond markets

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- Ireland stalled after GPA aborts take-off

Tony Andrews

King George II looks on in 10 Downing Street as John Major and William Waldegrave, public services minister, emphasise the role of the Citizen's Charter Renewed impetus, Page 5

CBI chief warns of 'hesitant' economic recovery

By Peter Norman and Emma Tucker

WEAKENING order books for British manufacturers and a sharp downturn in a leading consumer confidence index suggested yesterday that the UK's recovery from recession will be sluggish and hesitant at best.

The Confederation of British Industry reported that manufacturers expect output to grow only *slowly over* the next four months following a partial reversal of an earlier improvement in orders. The latest consumer confidence survey by Gallup, the market research company, showed the biggest drop in consumers' confidence about the UK economic outlook since January 1991.

However, the CBI said tough competitive conditions had brought inflationary pressures at factory level to their lowest point for more than 25 years, indicating further progress towards making the UK a low-inflation country.

Commenting on the CBI's latest monthly industrial trends inquiry, Sir John Banham, CBI director-general, said the signs of recovery were "rather less substantial" *than a month* ago. "It would be wrong to say that the recovery has stalled, but it is hesitant and seems likely to continue to be slow and patchy."

Mr Gordon Heald, Gallup's managing director, said the consumer confidence survey showed greatly increased fears of rising unemployment and that "any post-election euphoria disappeared in the second half of May".

The CBI polled 1,461 companies in 50 industries between May 22 and June 17. Together they are responsible for more than half UK manufacturing employment and exports.

It found that orders overall deteriorated in the period, although there was a less significant weakening of export demand. Output expectations were revised down in response, *but manufacturers'* replies during the past three months suggest that they still expect to increase production. The CBI

Continued on Page 24
A hard slog ahead, Page 9

Major challenges anti-Maastricht Tories

By Philip Stephens, Political Editor

MR JOHN MAJOR last night sought to isolate Conservative opponents of the Maastricht accord with a pledge to use his forthcoming presidency of the European Community to keep Britain "at the heart of Europe".

Welcoming the endorsement of economic and political union in the Irish referendum, the UK prime minister rejected calls from Tory Euro-sceptics for a renegotiation of the deal. He stressed the gains Britain had secured from Maastricht, adding that an attempt to re-open the the agreement would cast the government in the role of "political gazumpers".

Conservative opponents of closer European integration, however, said that disappointment at the Irish result would not deflect their efforts to prevent ratification of the treaty.

The rebels argued that Denmark's rejection of the treaty earlier this month could not be "cancelled out" *by its acceptance in* Ireland. The anti-federalist European Reform Group has invited leaders of the Danish "no" campaign to a strategy meeting at Westminster next week aimed at bolstering opposition in the British parliament.

Mr Major acknowledged that there was no prospect that the UK government would re-introduce legislation to ratify Maastricht until the Danish government had clarified its position and until after the French referendum. Some ministers are speculating that the British legislation could now be deferred until after the EC's Edinburgh summit in early December.

But in terms calculated to confront head-on the critics in his own party Mr Major said: "If we were now to set aside our word *we would not be trusted again.* We would lose our influence to determine events."

His speech – designed to detach waverers in the Conservative party from the hard core of Euro-sceptics – stressed repeatedly that Britain could not exercise authority if it stood on the sidelines. "I want this country to be at the heart of Europe," he said. "Only if we are there can we have real influence. We need that influence to build the Europe we want."

Mr Major signalled that Britain, which takes over the presidency on July 1, would seek to rescue the Maastricht agreement by emphasising that it did not represent the "federalist closed shop" that many feared.

That would be achieved by pressing Britain's agenda for the *next few years. It included pushing* ahead with enlargement, curbing centralism, exercising control over the powers of the Commission and the creation of a genuine single market.

Senior ministers said Mr Major's strategy would be to seek over the six months of the presidency to turn "the tide of federalism". *He hoped that would allow* Denmark to decide how to tackle its referendum result.

MP says secret trusts are Maxwell's real 'last will'

By Raymond Snoddy and David Barchard

ROBERT MAXWELL'S last will and testament was yesterday described as "a death mask designed to deceive".

If accepted at face value, it would have "Maxwell laughing all the way down the Mount of Olives", said Mr Frank Field, the Labour MP.

Mr Field believes the real "will" behind the public document, which was published in full in the Financial Times yesterday, is a series of confidential Swiss trusts set up in 1984.

Mr Field, chairman of the House of Commons select committee on social security which investigated missing Maxwell pension fund money, supplied the FT with a copy of the will. The person who gave the MP details of the trusts – some of which are believed to be for the benefit of family members – behind the Liechtenstein-based Maxwell Foundation also gave him a copy of the will.

The trust for Mr Kevin Maxwell, former chairman of Maxwell Communication Corporation, is called Oratio, Mr Field believes. *Apart from Oratio,* the trusts include Nessi, Junqo, Akim, Alandra, Markant, Baccano, Corry, Iban and Looping.

Mr Field's main priority is to try to find as many surviving assets as possible and he hopes publication of the names of the trusts will help in the search. A variety of assets is also believed to be held in Swico Anstalt, a Liechtenstein-based trust.

It holds blocks of shares in three private Maxwell holding companies: £500m stock in Robert Maxwell Group, about £150m in Headington group and about £100m preference shares in Headington Investments. The debts of the private companies are so great the shares will be worthless.

But it also holds all of PH(US) Inc, a company that has moved funds around the world from other parts of the Maxwell empire. It is also believed to be the holding company for the Cal-

Continued on Page 24

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- Maxwell saga enters new phase

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Austria Sch30; Bahrain Din1.000; Bermuda $1.55; Belgium BFr60; China FEC 12; Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.00; Finland Fmk10; France FFr8.50; Germany DM3.30; Greece Dr260; Hong Kong HK$16; Hungary Ft162; Iceland IKR180; India Rup20; Indonesia Rp3,800; Israel NS5.50; Italy L2500; Japan Y500; Jordan JD1.20; Korea Won 2500; Kuwait Fils.500; Lebanon US$1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.50; Morocco Dh11.00; Nigeria Naira20.00; Netherlands Fl3.50; Norway Nkr15.00; Oman OR1.20; Pakistan Rs35; Philippines Pso 45; Poland Zl 18000; Portugal Esc190; Qatar QR10.00; S.Arabia Rls8.00; Singapore S$4.10; Spain Pta200; Sri Lanka Rup30; Sweden SKr14.00; Switzerland SFr3.00; Taiwan NT$85; Thailand Bht50; Tunisia Din1.000; Turkey L6000; UAE Dh8.00; USA $1.25. (Alaska & Hawaii $1.75)

Maastricht wins a vital breathing space

The main problem for the treaty is that governments have moved ahead of their voters, writes Ian Davidson

WHEN he heard that the Danes had voted No in their Maastricht referendum, a very senior Commission official summed up the situation with undiplomatic frankness: *"Nous sommes dans la merde!"* The Yes vote in the Irish referendum goes a long way to restore morale and rectify the balance, as does yesterday's vote in the French National Assembly. But neither of these events, welcome as they are, can *change the fundamental problem*: that the treaty has been rejected by one of the signatory states. In this sense, we are still *"dans la merde"*.

Instant solutions on offer tend to fall into three categories: 1, Dump the treaty. 2, Dump Jacques Delors. 3, Dump the Danes. The Danish referendum is invoked to prove that the treaty is no good, and should be abandoned/weakened/strengthened. Alternatively, Mr Delors is a symbol of everything that is wrong with the Community, because he is too federalist/French/socialist/European/successful/foreign/Christian Democrat/pleased with himself; so, off with his head! Finally, the Danes have shown that they are unsatisfactory Europeans, so they should be bundled out of the new Europe.

Unfortunately, none of these nostrums will quite do. The twelve may very well be driven to a renegotiation, if they want to salvage anything from Maastricht. But to pretend that this road offers a simple solution is just not serious; does anyone know exactly why the Danes voted No and what would make them vote Yes?

The British government's campaign against Mr Delors borders on the contemptible. Last December Mr John Major described Maastricht as "Game, set and match to Britain"; he surely cannot now insinuate that a treaty which was negotiated by 12 sovereign governments was in fact foisted on them by Mr Delors.

Dumping the Danes runs up against a battery of objections: it would be illegal, unconstitutional, anti-democratic, uncivilised and un-European. But the most serious objection to this particular prescription is its underlying assumption that this is a problem confined to Denmark. In fact, there are at least three large member states where Maastricht is or could be in trouble.

Six months ago British spokesmen were adopting a *most condescending attitude* towards the ratification problems facing other member states; Britain, they said, was the only properly functioning democracy. It had had its debate, and parliament was solidly on board. Today, it appears that the government simply could not command a majority to ratify the treaty.

One might expect Maastricht to have a hard time in Britain, because the British government remains as sceptical about the Community as ever. But the French and German governments are the chief architects of the new Europe, and they too are going through *rough water*.

Reports from Germany say that ratification should eventually come right. But in the meantime, the debate is stirring heavy passions, and giving rise to a serious constitutional power struggle between the centre and the *Länder*.

In France the parliament is half way to the necessary revision of the constitution; but the ratification referendum planned for the autumn will be fiercely contested by nationalists across the board, and no one can be sure that it will not go wrong for the government.

These passionate debates throw an instructive light on the Maastricht dilemma. The commonest criticism of the treaty is that it is a portmanteau of heterogeneous ingredients, which is as muddled as it is unreadable. People do not like it, because they do not understand it; therefore, the argument goes on, we should improve the treaty by simplifying it.

The passion of the arguments between the pros and the antis suggests an entirely different diagnosis. Yes, the treaty is an amalgam of different ingredients, which makes it baffling to the casual reader. This is a serious disadvantage at this stage in the ratification process, because we cannot know precisely why the Danes voted No, nor whether some small detailed revisions would get them to change their minds.

But it is clear from the debates in Britain, France and Germany that their political elites understand the thrust of the treaty very well indeed: some like it, and some hate it, but they all know that this is a treaty with colossal political implications.

It is these political implications which set Maastricht in a different class from previous agreements in the development of the Community. The customs union and the single market could be regarded as predictable, pre-defined policy *contracts, from which the* economy of each member state could be expected to draw separate national advantages. But Maastricht is quite different, in the sense that the two central pillars – monetary union and foreign policy – will involve jointly negotiated policies for maximising collective advantages in the name of the common interest.

This does not, of course, mean that the Community is about to become a federation. But it does mean that going along with Maastricht calls for a much greater depth of political commitment than seemed to be required by the Treaty of Rome.

This is perhaps the heart of the problem. The key characteristic of Maastricht is that it *includes far-reaching objectives for action in the future.* The member governments clearly believed that a large leap forward in Community integration was both necessary and possible; but can they really count on their electorates to follow them?

If that kind of commitment is to be reliable, then surely the treaty must be supported by more than a bare majority of the electorate. In practical terms, it must have a breadth of popular support which could survive a change of government. Does anybody think that Denmark would be a dependable partner in the construction of a common foreign policy, if the referendum had gone the other way, but only by 50.7 per cent?

And what about France? Opinion polls predict three things: a majority may vote for Maastricht in September; the Gaullists may lead a right-wing government after the next general elections in March; and Mr Jacques Chirac, the Gaullist leader, will be a front-runner in the presidential elections in 1995. Yet half the Gaullists are bitterly hostile to Maastricht, and the party is so divided on the issue that Mr Chirac dare not say anything about it.

If the Irish had voted No, Maastricht would have been lost with all hands. The fact that they have voted Yes gives the Community a desperately needed breathing space. But Europe's governments need to use the space, starting with their Lisbon summit next week, *to consider whether* they, like the Danish elite, have moved too far ahead of their electorates, and if so, what they need to do to get back in touch.

OVER THE IRISH HURDLE: counting votes in Dublin yesterday

Decisive pro-treaty vote by assembly

By Ian Davidson

PARIS

FRANCE yesterday took a *critical step towards ratification* of the Maastricht treaty by completing the first phase in the necessary revision of the French constitution.

At the end of an all-night sitting, the National Assembly endorsed by 388 to 43 the text of the constitutional revision passed earlier in the week by the Senate.

The change will now be finalised in a joint sitting of the two houses, known as a Congress, which will take place in the Palace of Versailles. The size of yesterday's majority together with the Senate vote suggest the government should secure the necessary three-fifths majority in this Congress.

Originally scheduled for Monday June 29, the Congress may be brought forward to next week, before the European *summit* in Lisbon. If so, the French and the Irish would both be able to take encouragement to a summit which is *bound to* be dominated by the problems of ratifying the Maastricht treaty.

Yesterday's vote again underscored the deep divisions over Maastricht in the conservative opposition parties, between the RPR Gaullists and their allies in the centrist and centre-right UDF parties.

The Gaullists made another abortive attempt to prevent the debate with a procedural blocking motion; when that failed they refused to take any further part in the debate. After the vote, the Gaullist leadership accused the UDF and Centrists of seeking to form an alliance with the Socialists.

But the government paid a price for its large majority, since it was forced to concede *an increase in the constitutional powers* of the Senate (which is dominated by the conservative parties).

Result lifts gloom in bond markets

By Simon London

MARKETS

THE gloomy mood of European bond markets was partially lifted by the Irish referendum result. However, late selling pushed bond prices lower and traders predicted months of uncertainty until the future of monetary union is determined.

Yesterday, the biggest gains were posted by high-yielding government bond markets such as Spain and Italy. These have most to gain from monetary union but have fallen sharply since Denmark rejected the Maastricht treaty.

Other bond markets showed strong price rises during the morning session as the result of the referendum became clear, *but fell back through the* afternoon. UK gilts closed almost unchanged on the day, with French and German government bonds finishing slightly lower.

"The pattern is the same in most European markets. There is selling into any rally," commented Mr George Magnus, international bond analyst at Warburg Securities. Analysts noted the Irish vote did nothing to remove uncertainty over whether Maastricht will be ratified and on what terms monetary union might take place.

"It is going to be a long, tense summer in the run-up to the French referendum," commented an Italian government bond trader.

Spanish government bonds rose around half a point at the benchmark 10-year maturity, adding to gains made on Wednesday and Thursday. However, even after posting a 1¼-point rise on the week, Spanish bonds remain well below the levels before the Danish referendum.

At the close yesterday, the benchmark 10-year Spanish government bond stood at around 93.50, still 3½ points below its level on June 2, before the result of the Danish vote was known.

The pattern was similar in Italy, with prices rising by up to three quarters of a point in *early trading but late selling* eroded some gains. Italian bond trading was volatile last week, with sentiment undermined by the weakness of the lira in the European exchange rate mechanism. Traders said the rally was driven by domestic Italian investors.

Kohl to press on despite public misgivings

By Quentin Peel in Bonn

BONN

THE result of the Irish referendum was greeted with delight and relief in the German government yesterday.

Chancellor Helmut Kohl said: "The people of Ireland have read the signs of the times correctly. Now we must press ahead to European union swiftly and with determination."

Mr Klaus Kinkel, the German foreign minister, said at a meeting of Western European Union foreign and defence ministers in Bonn that the result showed that "Europe indeed lives and the European train is gathering steam. There is no alternative to European union."

Nevertheless public opinion in Germany is increasingly sceptical about the advantages of European integration, and above all about the replacement of the D-Mark with a single European currency.

Mr Kohl has admitted that the treaty is far from perfect, but he is determined to press ahead with ratification in Germany in spite of the public misgivings.

He faces a key meeting next week with the prime ministers of the 16 German states to resolve differences over control of EC policy between the central government and the states.

● Western Germans would narrowly reject the Maastricht treaty if it were put to a referendum, an opinion poll found yesterday, Reuter reports from Bonn.

Only 42 per cent would support a political union with a common currency, said the Emnid Institute poll for the weekly Der Spiegel.

The poll was conducted after Denmark rejected the treaty but before the Irish referendum result.

Emnid said it would conduct another poll next week with the same question, adding: "The result of the referendum in Ireland will certainly influence opinions."

The poll was conducted only in western Germany, the politically dominant four-fifths of the reunited nation.

Commission adopts a humbler profile

By David Gardner in Dublin

THE UK, which takes over the rotating EC presidency in 10 days' time, will centre its efforts to rescue the Maastricht treaty on spelling out what "subsidiarity" means.

This principle, which the *treaty incorporates* into European law for the first time, in theory means that decisions should be taken at the lowest practicable level of government. In EC terms, it means the Community acts together only when doing so is more effective than individual countries acting alone.

The British government believes highlighting this principle will mollify those resisting what they see as a drift of power to Brussels. In fact, generally only the Commission can make proposals, while only the 12 governments can make decisions, and the European parliament has limited amending powers.

One of the ironies for the UK is that had Britain accepted the Dutch presidency's compromise on social policy at Maastricht, this would have strengthened subsidiarity by requiring the Commission to prove that its proposals could not be better handled nationally or regionally.

With the 11 trying to press on with the treaty rather than re-negotiate it to accommodate Denmark, it is difficult to see how they can produce a re-definition of subsidiarity with a similar, legally binding force.

However, Commission president Mr Jacques Delors seems already to be considering a re-organisation of the Brussels executive and rationalisation of its powers.

This has every appearance of a strategy agreed with the three large member states – Germany, France and the UK – in return for their leading moves to reappoint Mr Delors for a further two years at next week's Lisbon summit. The 17-strong Commission ends its four-year term in December.

Since the Danish shock, the Commission has undoubtedly pulled in its horns, showing deference to the Council of Ministers (of the 12), even in matters like EC trade policy, where it has long-established competence.

Mr Delors and UK Commissioner Sir Leon Brittan have floated the idea of giving back to member states certain Commission powers, like the regulation of water standards.

Beyond this, senior Commission officials indicate that a larger revamp is being considered. Mr Delors and close colleagues are expected to work through the summer preparing a clear delineation of what powers should remain with the Commission and what should be handed back.

He is also, one senior official suggests, likely to submit his reappointment to the approval of the European Parliament, something a Commission president would not be obliged to do under *Maastricht* until 1995. Mr Delors would also expect clear endorsement of those powers the Commission intends to retain.

Internally, there will be more political oversight of major policy areas, for the sake of greater coherence and nipping in the bud meddlesome inter*ventions in national affairs.*

One consequence is that there is likely to be a re-grouping of functions inside the Commission, fusing, for instance, the several commissioners and departments dealing with external affairs or regional policy.

While all this may improve the image of Brussels, it does not deal with the main way in which Maastricht promotes secretive and remote decision-making.

This involves the new areas of foreign and security policy and justice and home affairs *co-operation, to be agreed* between governments, outside EC institutions, and at some remove from national parliaments.

Maastricht foresees a constitutional review in 1996 to decide whether this inter-governmentalism – the antithesis of the EC's institutional devel*opment – should be brought* into Community decision-making. Already there is pressure to make decision-making by the Council of Ministers much more transparent.

But much sooner than 1996, inter-governmentalism could become the focus of hostility.

Major's plan is to seek new view of accord

By Philip Stephens, Political Editor

LONDON

THE decisive Yes vote in *yesterday's* Irish referendum brought the expected relief in Whitehall – alongside an acknowledgment that for Mr John Major a second chance for the Maastricht accords carries risks as well as opportunities.

British ministers believe the deal on economic and political union has been reprieved rather than rescued. A mechanism has still to be found to persuade the Danes to reverse their vote. The accord must also survive the unpopularity of President François Mitterrand in the French referendum.

But the confident tone of Mr Major's dismissal yesterday of *the calls* from Euro-sceptics in his own party for a renegotiation of Maastricht suggested that, for now at least, he is *focusing* on the opportunities.

Mr Major, whose government takes over the EC presidency on July 1, has the task of securing a settlement which meets the fears of the Danes without unravelling the Maastricht treaties.

He hopes the British presidency will secure a re-interpretation of the direction in which Maastricht will take the Community. In satisfying Denmark, Mr Major believes he can marginalise the Euro-sceptics in his party and secure enough support for ratification in parliament.

The basic strategy is to give substance to the once dubious British contention that Maastricht could represent a break with the "centralising process" in the Community created by the Single European Act.

Mr Major will seek ways to reinforce an interpretation of the treaty in which closer *European co-operation is set* firmly on intergovernmental rather than federalist pillars.

One possibility is the much tighter definition of subsidiarity already floated by London. But it sees an unequivocal commitment to rapid enlargement as equally important in persuading doubters in Denmark and at home that Maastricht is not the precursor to a United States of Europe.

No one in London is certain how such formulae could be attached to the Maastricht accord – nor what if anything might be enough to persuade the Danish people to change their vote.

There are also too many other battles waiting to be fought – among them the level of Community resources, the size of cohesion funds and the Gatt trade talks – to allow for confident predictions that the route will be smooth.

But the task suits Mr Major's *temperament*. He is a politician adept at building compromises, setting a painstaking approach to detail alongside an ability to *defuse confrontations*.

The judgment in London is that Danes have clipped the wings of the federalists and in the process greatly strengthened Mr Major's case as EC president for the Community to put pragmatism first.

His colleagues believe there is a chance that by the time of the Edinburgh summit, there will be a deal on the table that will stitch together again the patchwork of compromises agreed at Maastricht.

At home the Conservative Euro-sceptics will not give up. Next week the European Reform Group of Conservative backbenchers – which claims around 80 members – will *attempt to broaden its attack* on European integration by blaming the depth of the country's recession on sterling's participation in the exchange rate mechanism.

But along with the Community, Mr Major has recovered his balance. For the moment he rather than his party's rebels holds the initiative.

Another abortion battle looms

By Tim Coone

DUBLIN

THE Irish government may have cleared the referendum *hurdle, but it faces a tougher* battle to resolve potential conflicts between EC law and Ireland's anti-abortion laws.

The anti-abortion lobby, prominent in the No campaign, has promised to do battle again in the autumn, this time on another referendum specifically on abortion.

At Ireland's behest, a protocol was inserted into the Maastricht treaty under which the subsidiarity principle would apply to Ireland's right-to-life 1983 constitutional amendment, giving EC courts no jurisdiction over Ireland on this issue.

However, a Supreme Court ruling last February, allowing a 14-year-old rape victim to go abroad for an abortion, interpreted the 1983 amendment and the protocol in such a way as to permit abortion in Ireland in cases where the mother's life was threatened.

A subsequent memorandum of understanding has been signed by EC foreign ministers, committing them to accommo*dating within the Maastricht* framework any further changes in Ireland's abortion laws.

However, any attempt by EC ministers to modify the Maastricht treaty in an attempt to bring Denmark back into the fold could necessitate a further referendum in Ireland and bring another chance for the anti-abortion lobby to flex its muscles.

Vote lifts lira

The Irish vote provided temporary relief for the lira yesterday, sending it below the L757 to the D-Mark unofficial bank of Italy intervention mark to L756.7, writes **Robert Graham in Rome.**

But underlying pressure on the Italian currency remained as dealers awaited formation of a new government by Prof Giuliano Amato.

Lonely Danes watch and wait

By Hilary Barnes

COPENHAGEN

THE Irish vote confirmed Denmark's isolation from its *EC partners following the* rejection of the Maastricht Treaty by Danish voters this month.

Mr Uffe Ellemann-Jensen, the foreign minister, said the Irish result made it more likely than ever that the other 11 member states would complete their ratification of the treaty.

This would force Denmark to work out the best way of co-operating with the other 11.

He said Denmark had no interest in a divided Europe or that the process of European co-operation should be halted.

The government's strategy is to await completion of the ratification process.

Only then will Denmark, *which assumes the EC presidency* on January 1, take any initiative.

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WEU gathers strength for beefed-up role

By Robert Mauthner in Bonn

FOREIGN and defence ministers from nine European countries agreed in Bonn yesterday to give the dormant Western European Union defence organisation a genuine military capability to enable it to take part in international peacekeeping and peacemaking operations.

But it was clear that member states continue to disagree on the precise circumstances in which their troops would be made available.

Mr Douglas Hurd, the British foreign secretary, with the Yugoslav conflict clearly in mind, emphasised that if peacemaking meant that member states would be prepared to impose a political solution by force, he believed that was excluded "both in practice and in theory".

The Germans and French, however, were much more prepared to envisage a peacemaking role for WEU forces, though Mr Klaus Kinkel, the German foreign minister, conceded that Germany would not be "in the forefront" of those advocating such a role because of its constitutional restrictions on employing German troops abroad.

What was made clear in the so-called "Petersburg Declaration," named after the mansion on the outskirts of Bonn where the conference was held, was that the WEU would take part in peacekeeping, peacemaking and humanitarian operations only at the request of other international organisations such as the United Nations and the 52-nation Conference on Security and Co-operation in Europe (CSCE).

Every decision to answer such requests would be taken on a case-by-case basis and individual member countries would reserve their sovereign right to participate or not.

Though the ministers, who hailed their declaration as an important step towards forging a European defence identity, said they were ready to make available to the WEU military units "from the whole spectrum of their conventional armed forces", no final decision was taken on precisely which units would be assigned to the organisation. The declaration merely stated that member states would "soon designate" such units.

However, Mr Malcolm Rifkind, the British defence secretary, said there had been wide support for his proposal that multinational units such as the planned Dutch-Belgian-German-British Nato rapid reaction force and the UK-Netherlands amphibious force should also be put at the disposal of the WEU under so-called "double hatting" arrangements.

Though France and Germany are also prepared to make available to WEU their proposed joint "Eurocorps", Mr Rifkind indicated that Britain and some other member countries had expressed "ongoing concerns" about the confusion that would arise from the fact that German troops came under Nato command, while French forces were outside the Nato command structure.

In a special declaration on Yugoslavia, the ministers said the WEU was prepared, "within the bounds of its possibilities", to contribute towards the effective implementation of UN Security Council resolutions on the application of sanctions against Serbia.

US opposes Serb move to divide Sarajevo

By Judy Dempsey in Belgrade

US OFFICIALS were yesterday trying to apply pressure on the United Nations to oppose attempts by Serb irregulars to divide the Bosnian capital, Sarajevo, along ethnic lines.

Concerns are growing that the Serbs are seeking to link this move with negotiations with UN representatives on re-opening the capital's airport.

Officials said heavily armed Serb irregulars were consolidating their positions in the north and west of the city, and near the airport, by the day.

Serb units have blockaded Sarajevo for the past 77 days to prevent any food and humanitarian supplies from reaching its 300,000 inhabitants.

"You can see exactly what is happening," a western diplomat said. "The Serbs are taking advantage of any ceasefire to re-group, and also give the impression they are acting in good faith. This is nonsense. It must be stopped," he added.

Bosnian officials yesterday said 7,000 people had died in the fighting in Sarajevo and other parts of the former Yugoslav republic since early April.

A UN official said the world body had neither the mandate nor the means to stop Sarajevo from being divided. "Our mandate is to negotiate an agreement which will allow us to re-open the airport and start the airlift of food into the city," he explained.

Serb militiamen check on rapidly diminishing medical supplies in the Serb-held town of Banja Luka, northern Bosnia, which has been cut off by Croatian forces

Another UN official said the Serb irregulars and Serbia's proxy Bosnian army, led by Mr Radovan Karadzic and General Ratko Mladic, promised to start withdrawing from Sarajevo airport today to allow relief flights into the city.

The agreement was made as the city came under renewed shelling and heavy bombardment from the surrounding hills held by Serb irregulars.

The Serb forces have agreed to withdraw their heavy artillery batteries 6km from the airport, while an earlier arrangement, backed by the Bosnian presidency, wanted a 20km demilitarised zone.

Western diplomats said this would still allow the Serb forces to keep large supplies of weapons close to Sarajevo. "This means they can bombard the city, and consolidate their green line any time," a diplomat said. "No wonder the Territorial Defence [consisting of Sarajevo's Moslem, Serb, and Croat communities] are angry with this agreement."

The Bosnian presidency, led by Mr Alija Izetbegovic, has repeatedly called for international military intervention to prevent the city from being divided.

Meanwhile Lord Carrington, chairman of the European Community peace conference on Yugoslavia, said he was "concerned that all-out war would spread to Bosnia." A Bosnian official asked yesterday: "What does he think has been taking place here for the past three months?"

UN chief ponders permanent army

By Michael Littlejohns in New York

A PERMANENT United Nations force that would respond to outright aggression, "imminent or actual", has been proposed by Mr Boutros Boutros Ghali, UN secretary general.

His recommendations for measures to increase the world body's effectiveness in the post-Cold War era are contained in a 52-page document, requested by the Security Council at the summit meeting in January initiated and presided over by Mr John Major, the UK prime minister.

Mr Boutros Ghali is to visit London early next month and will be amplifying his ideas in talks with Mr Major.

The possibility of establishing a permanent force was envisaged when the UN was founded in 1945 but the Cold War, during which no fewer than 279 vetoes were cast, blocked formal action.

Observing that the UN "must never again be crippled as it was in the era that has passed", the secretary general also said the collapse of communism presented an opportunity not to be squandered. However, his proposal accords more with ideas long advocated by Moscow than with what the west has been prepared to accept.

Mr Vladimir Petrovsky, a former Soviet deputy foreign minister and now a senior UN official, helped draft the report. Mr Edward Perkins, the US ambassador, was not consulted during its preparation and the State Department voiced reservations last April about any proposal to negotiate agreements to provide the Security Council with permanent troops under the control of the Military Staff Committee.

Noting that the Council had not so far used military force coercively, Mr Boutros Ghali recalled that in the Gulf War members "chose to authorise member states to take measures on its behalf". But having UN troops ready and on call could serve as a means to deter breaches of the peace.

● Mr Giandomenico Picco, the UN negotiator who obtained the release of western hostages in Beirut, including the last two Germans freed this week, is resigning for personal reasons, it was announced last night.

He is in Vienna this weekend for talks with Iraqi officials on a possible resumption of oil shipments. His resignation takes effect on July 31.

Bratislava break-up negotiations

By Arianne Genillard in Bratislava and Anthony Robinson in London

CZECH and Slovak leaders were last night preparing a joint political statement expected to announce the formation of an interim federal government charged with bringing an orderly end to the 74-year-old Czechoslovak federation.

The two delegations – led by Mr Vaclav Klaus, the Czech prime minister-designate whose Civic Democratic party (ODS) emerged as the Czech winner in this month's general elections, and his Slovak counterpart, Mr Vladimir Meciar, leader of the Movement for a Democratic Slovakia (HZDS) – were meeting for their fourth round of talks at a former Communist party hotel in Bratislava, the Slovak capital.

The new interim federal government will be reduced to five key ministries, for defence, economics, finance, foreign affairs and the interior, a Slovak spokesman said. It will comprise "experts" to prepare details of dividing the assets and liabilities of the two republics.

CIS hopes for energy charter

By Andrew Hill in Brussels

MEMBERS of the Commonwealth of Independent States are counting on the European energy charter to sort out the growing number of energy-related disputes in the former Soviet Union, a senior EC official said yesterday.

But Mr Clive Jones, secretary general of the Energy Charter Conference, warned that it would take time to reach agreement on the legally binding treaty which will lay out legal safeguards for energy investment across central and eastern Europe.

Mr Jones, who met CIS electricity ministers last month, said they were strongly behind the energy charter. Many are likely to be given extra time to implement the charter's disciplines. Meanwhile, it was "essential for the implementation of the market regime that [CIS members] bring their prices up to world levels".

The charter itself was signed in December, but its implementation depends on the 47 signatories producing a binding "basic agreement" which will put its principles into practice.

World Bank admits Indian dam flawed

By Stephanie Gray in London and K.K. Sharma in New Delhi

THE World Bank is to make substantial modifications in plans for one of the world's biggest dam projects, after accepting criticism of the project in an independent report as justified.

Mr Lewis Preston, the World Bank president, said the report on the controversial $3bn (£1.6bn) Narmada dam system in central India had identified a "number of deficiencies in the bank's appraisal of the project, the borrower's implementation and the bank's supervision work".

The independent inquiry, the first of its kind in the World Bank's history, was set up after vociferous protests in India over the resettlement and environmental aspects of the project.

In a rare and candid admission that the Bank had been wrong, Mr Preston said: "It is clear that performance under these projects has fallen short of what is called for under Bank policies and guidelines and the policies of the government of India."

He said continued bank support for Narmada was justified but "we should proceed only if practical ways can be agreed to ensure that the pace of further construction of the dam is adjusted to whatever extent is required to permit a fully responsible approach to the resettlement and environmental concerns".

Mr Preston said analysis of the report and "a set of specific remedial actions" would be presented to the World Bank's board in the next few days.

The bank has promised to put $450m into the irrigation scheme along the Narmada river, which flows through the north-eastern states of Madhya Pradesh, Gujarat and Maharashtra.

Opponents of the project say such huge dams are environmentally unsound and accuse the state governments of resettling people, many of them tribal people not integrated into India, on inferior land with inadequate compensation.

The government says about 100,000 people will be displaced in the project. Opponents put the figure at 250,000.

Japan adds a new number to its exports

By Stefan Wagstyl in Tokyo

THE LATEST Japanese export *to hit the UK is not a car or a* new kind of electronic camera but the mathematics textbooks of Mr Toru Kumon.

For decades, British educators have assumed they had little to learn from Japan. Even though Japan's schools produced well-trained young people, it was generally thought their good academic results were achieved mainly at the cost of excessive discipline.

Mr Kumon, a 78-year-old retired teacher, believes the methods he has used in Japan for over 30 years work well with children anywhere.

His books have been introduced in the US and elsewhere but until recently they were virtually unknown in the UK. Now he is expanding fast. At the start of 1992, there were just two British Kumon-trained *teachers. By the end of the* year there will be 50.

Mr Kumon has no time for teaching "concepts" or letting children "discover" maths for themselves by playing with coloured bricks or pocket calculators.

Instead, he relies entirely on children working their way through 3,800 pages of repetitive exercises. The worksheets are designed so that children can work on their own all the way from kindergarten games to differential calculus.

The teacher guides children through difficult stages and corrects answers to make sure that a child gets full marks before moving from one level to another. With Mr Kumon, the only acceptable mark is 100 per cent. For lower scores the sole remedy is more practice.

Mr Kumon talks with a passion which belies his years. "Almost all children can do better if only they are properly taught," he says. "If a top teacher teaches an average child, the child's ratings go up. If a top child is given an average teacher, the child's ratings go down. Those educators who are not willing to learn themselves should give up teaching."

Mr Kumon devised his methods in the early 1950s when he was helping his young son with his maths homework and later devised programmes for learning Japanese, English and other languages. Now he has 1.6m pupils in Japan and 1.9m worldwide.

Like a magician pulling rabbits out of a hat, Mr Kumon loves to give examples of the achievements of Kumon-trained children.

His current favourite is a five-year-old Japanese girl studying English who can write critical evaluations of university-level texts.

He holds up her worksheet, complete with comments scrawled in five-year-old handwriting on a passage from Mr Edwin Reischauer, a noted American scholar and former US ambassador to Japan.

Mr Kumon also has available assessments of the merits of his methods. Unfortunately, there are none from Japan because the Ministry of Education does not allow his materials to be used in schools, nor has it carried out any comparative tests. But outside Japan, where Kumon materials are mostly used in regular schools, the method has been examined more rigorously.

For example, at Christ Episcopalian School in Texas, the average maths score of six-year-old children rose during a year from 53 per cent to 81 per cent, as measured on the Standford Achievement Test, a widely used American test. The average score for 10-year-olds rose from 76 per cent to 94 per cent.

Other schools in Texas, and in Alabama, Michigan and Mississippi reported similar advances.

Critics say that the samples are too small to offer conclusive proof. Even though thousands of American schools have studied Kumon materials, only 300 have actually introduced them.

Critics say Mr Kumon puts too much emphasis on repetitive drills. The workbooks, they say, are boring and expensive, and the method itself is little more than glorified rote-learning.

Mr Kumon's supporters in the US reply that the results speak for themselves. Most American teachers who use Kumon materials do so for just 15 to 20 minutes a day – as a supplement to other textbooks, not as a substitute, so the children do not get bored.

Like any *iconoclast*, Mr Kumon himself brooks no criticism. Teachers who oppose his methods are simply "looking after their own jobs. They don't want to admit they're wrong."

Tokyo boosted by hopes of public works package

By Stefan Wagstyl in Tokyo

THE JAPANESE stock market rebounded yesterday on hopes that the government might soon boost the economy with a package of public works spending of as much as Y5,000bn-Y8,000bn (£21bn-£33bn).

The Nikkei index, which earlier this week fell to its lowest level for five years, jumped 474.31 points to 16,519.87 as investors took heart from signs that the government might start serious preparations for a supplementary budget to expand the budget already agreed for the current financial year, which started in April.

Investors were particularly interested in indications that the ruling Liberal Democratic party was increasing pressure on the bureaucracy to act before the summit of the Group of Seven leading industrial nations in Munich early next month. Mr Shin Kanemaru, the LDP's vice president, urged compilation of a supplementary budget soon, so as to avoid pressure for extra public spending from the US at a later date.

Mr Kanemaru also told a meeting of LDP officials that he wanted a budget of Y8,000bn, substantially more than a proposal of Y5,000bn which had previously been informally discussed by the party. The party officials agreed to prepare specific plans by the end of the month.

However, the Ministry of Finance rebuffed Mr Kanemaru's appeal, saying it was still too early to judge the full impact of spending measures approved in March, when public works planned for the second half of the financial year were advanced into the first six months.

Mr Tsutomu Hata, the finance minister, rejected calls to stimulate the economy and told journalists: "People suffering from diabetes want to eat a lot but if you give them as much as they want, it will ruin their health."

Despite Mr Hata's protestations, it is widely assumed in Tokyo that there will be a supplementary budget. However, *there is a serious debate* in the government over size and timing.

Finance Ministry officials would like to see a budget of no more than Y3,000bn or so, and would prefer to wait until September for a decision. LDP leaders want at least an announcement of intent by the end of the month, followed by a concrete plan before elections to the upper house of the Diet at the end of July.

EC seeks oilseed subsidy compensation talks

By Frances Williams in Geneva

THE transatlantic wrangle over the European Community's oilseeds subsidies took a new twist yesterday when the EC said it wanted to negotiate compensation terms with the US under rules of the General Agreement on Tariffs and Trade (Gatt) that cover tariff increases.

The request, reluctantly accepted by Washington and approved by Gatt's governing council, immediately prompted speculation that Brussels intended to try to negotiate away its commitment under Gatt to duty-free access for imports of oilseeds such as soyabeans, rapeseed and sunflower seeds.

The US, which claims its soyabean producers have lost $1bn (£540m) in sales to the Community because of EC subsidies, has already threatened to slap punitive duties on $1bn of European *exports* if the issue is not resolved.

The EC has threatened to retaliate if the US goes ahead with trade reprisals outside Gatt procedures. However, yesterday's decision buys both sides more time. Under Gatt's Article 28 (4) they now have 60 days to arrive at a settlement.

US officials remain pessimistic about the chances of success. Mr Rufus Yerxa, US ambassador to Gatt, told the Gatt council yesterday that, while the US wanted a negotiated solution, it could not accept a deal that did not directly address the problems faced by US soyabean producers. The EC has not revealed *what type of compensation* – via lower tariffs on other goods – it has in mind.

He said the compensation negotiations would be expensive for the EC, which would have to cover not only the $1bn loss to US oilseed producers from the *subsidy* regime but also a further $1bn of trade lost by suppliers such as Argentina and Brazil.

Corruption finding on NSW leader

AN Australian anti-corruption watchdog yesterday found the *New South Wales* premier, Mr Nick Greiner, had engaged in conduct which was reasonable grounds for his dismissal, Emilia Tagaza reports from Canberra.

Mr Greiner has refused to resign, but his minority conservative government next week faces a vote of no confidence in the state parliament. Three independent MPs who hold the balance of power have indicated they will vote with the opposition in dislodging Mr Greiner's government.

The Independent Commission Against Corruption held a month-long inquiry into Mr Greiner's involvement in the appointment of an independent MP, Mr Tony Metherell, to a senior public service job.

French output up in April

French industry increased its output by 1.5 per cent from March to April, showing an acceleration from the 1.3 per cent growth in the first quarter, William Dawkins writes from Paris. Two thirds of the rise, which came after a 0.4 per cent decline in March, was due to growth in energy output, *said Insee, the state statistic institute.*

Kurds decide against rising

The Iraqi opposition has ruled out a widespread uprising against President Saddam Hussein because it says it would merely provoke a repetition of his slaughter of Kurdish and Shia rebels in 1991, Gareth Smyth reports from Vienna. A report at an Iraqi opposition conference which ended in Vienna yesterday said that a military coup would merely produce further uncertainty.

BCCI plan

A judge has approved a plan to liquidate the Bank of Credit and Commerce International (Overseas) that will repay depositors and creditors about 32 cents on the dollar, Reuter reports from George Town, Cayman Islands.

A woman and her child were among 38 Vietnamese forced to board an aircraft to Hanoi yesterday, as Britain began to empty Hong Kong camps for boat people under an agreement with Vietnam

Governor stands firm on naming HK cabinet

By Simon Holberton in Hong Kong

LORD Wilson, the governor of Hong Kong, yesterday, hit out at China's attempt to influence the composition of the colony's cabinet, saying appointments were the prerogative of the governor.

Lord Wilson said that between now and 1997, when the colony reverts to Chinese sovereignty, appointments *would be made in Hong Kong* by the governor after consultation with the foreign secretary in London.

On Thursday a senior Chinese official said in Beijing that it would be unacceptable to China if members of the United Democrats, a key political party in the colony, were appointed to the cabinet, or executive council.

The Democrats won most of the popularly contested seats in last September's elections. If *the colony's incoming governor*, Mr Chris Patten, decides to reshape the membership of the cabinet some members of the Democrats are likely to be offered seats.

The Chinese intervention was seen in Hong Kong as an attempt to set the agenda for Mr Patten before he arrives on July 9.

Mr Yeung Sum, deputy leader of the Democrats, said yesterday China's intervention in domestic Hong Kong politics was unwarranted. *China could* not lay down preconditions for membership of the council, he said.

ANC criticises de Klerk over massacre

By Philip Gawith in Johannesburg

THE African National Congress yesterday stepped up its criticism of the government after the massacre of nearly 40 people in Boipatong in the Vaal triangle, *but stopped* short of saying it would pull out of negotiations.

The ANC made clear, however, that with discussion at the Codesa constitutional forum deadlocked, the focus of its energies in coming weeks would be devoted to taking the political struggle to the streets.

At a briefing for journalists and diplomats, Mr Ronnie Kasrils, ANC campaigns co-ordinator, said it was hoping to have millions of people on the streets by August, raising the possibility of a "Leipzig option". This included a general strike, probably in mid-August.

In the course of a scathing attack on the government, Mr Cyril Ramaphosa, ANC secretary-general, said earlier that more black people had died during the three years of President F W de Klerk's administration than in the previous 40 years of National party rule. Mr Ramaphosa said Mr de Klerk had facilitated such slaughter by legalising the carrying of dangerous weapons in 1990.

Another senior ANC official, Mr Joe Slovo, said the Boipatong massacre had no link with the Soweto Day stayaway on June 16.

Referring to government warnings before June 16 that mass action would lead to violence, Mr Slovo added: "Every statement by the representatives of the government, both before and after June 16, was an act of intimidation and an act of incitement to violence. And it has come to pass that the prophecy has been fulfilled by the prophets themselves."

Intrigue swirls about Israeli power brokers

By Hugh Carnegy in Jerusalem

RABBI Menachem Porush, a leading figure among Israel's ultra-orthodox religious parties, broke off campaigning for next Tuesday's general election to travel to Cairo this week at the invitation of Egyptian President Hosni Mubarak.

Speculation flashed around Israel that Mr Mubarak was seeking to persuade the venerable rabbi that, after the election, *his United Torah Judaism* party should side with Mr Yitzhak Rabin's Labour party – and its commitment to accelerate Middle East peace talks – in coalition bargaining.

If so, he did not appear to be very successful. Rabbi Porush declared that the religious parties tended to favour the hard-line Likud party.

Israeli police minister Mr Ronni Milo vowed yesterday to arrest key Palestinians in Middle East peace talks for publicly embracing PLO chief Yassir Arafat in Amman, Reuter reports from Jerusalem. He said that Israeli law had been "deliberately and blatantly violated before the eyes of the world" and that the team would be arrested "immediately on return to Israel".

But Mr Mubarak may well be correct in assuming that the black-hatted religious parties will play a power-broking role in the formation of the next government. He may also be right if he reckons Mr Porush's *statement* may not be the last word from the mysterious and intrigue-riddled ultra-orthodox.

First, the parties have to secure their seats in the Knesset. The influx of overwhelmingly secular Russian immigrants has diluted their strength in the electorate. This, plus a welter of corruption allegations surrounding *Shas*, the biggest ultra-orthodox party, has led to predictions that the four religious parties will fail to hold the 18 seats they won in the 120-seat Knesset in the 1988 election.

What's more, the ultra-orthodox parties are concerned that Labour and Likud are plotting to unite against them, to cut down their power-broking influence and conscript into the army their hitherto exempt young men.

There has been a significant re-alignment in their ranks. The National Religious party, whose members do not wear the black garb of the ultra-orthodox, is unchanged, broadly aligned with Likud. But two of the other three, Agudat Yisrael and Degel HaTorah, have combined to form the United Torah Judaism party, attracting to their ranks a former leading member of the Shas party.

A fierce battle lies behind this change. Degel, a party of Lithuanian "Ashkenazi" Jews, used to be close to Shas, the party of "Sephardi", or Oriental *religious* Jews. *But Rabbi* Eliezer Schach, the 96-year-old spiritual leader of Degel, shifted amid much bad blood to an alliance with his fellow Ashkenazim of Agudat Yisrael.

This seemed odd, as Rabbi Schach has long been at odds with fellow nonagenarian Rabbi Menachem Schneerson of Brooklyn. The ailing Rabbi *Schneerson* is a leading influence in Agudat despite never having set foot in Israel.

Secular Jews, never mind gentiles like Mr Mubarak, find all this hard to penetrate. However, there are other pointers to how the parties may act apart from Rabbi Porush's statements.

Both Rabbis Schach and Schneerson opposed Labour in its previous attempt, in 1990, to set up a pro-peace government. They are also united by their hatred of what they see as the anti-religious stance of Labour.

The religious parties always require large dollops of public money to cement their support for any government. Labour would be no less willing than the Likud to stump up. But over the last 15 years, the religious have appeared more comfortable in harness with Likud.

PM gives Charter renewed impetus

By Alison Smith

MR JOHN MAJOR underlined his commitment to improving public services yesterday and gave fresh impetus to the Citizen's Charter, making clear that it would remain a priority.

A discussion for cabinet ministers and senior officials at Downing Street, chaired by the prime minister, represented an important element in shaking off the charter's "pre-election gimmick" label.

Mr William Waldegrave, the public-services minister, said after the meeting: "The whole charter programme has become a fundamental part of the way Whitehall is doing its work. The Citizen's Charter is with us and with you permanently." Flanked by Sir James Blyth, chairman of the prime minister's advisory panel on the charter, Mr Waldegrave emphasised that the benefits from a continuing programme of rising standards would become ever more apparent as the initiatives became more entrenched.

Departments should understand that setting real standards that might be missed at first was preferable to setting targets so low they were bound to be achieved.

Pointing out that raising standards could provide savings and did not inevitably involve more public spending, Mr Waldegrave said he had an effective veto over whether his colleagues could invoke the charter in their spending discussions with the Treasury.

A white paper will be published in the autumn and there will be a further seminar to mark progress early next year.

Among specific measures highlighted were:

- Education: Fuller information about every school is to be available locally from next year, and the task of providing information to be taken away from local education authorities. Also included is the higher and further education charter, whose aims will include the right of students not to join the National Union of Students.
- Health: The aims involve an extension of the patients' charter to include standards in GP services; as well as guaranteed waiting times for certain routine operations, such as hip and knee replacements and cataract removals, to be reduced from two years to 18 months from April next year.
- Transport: The London underground charter is to be published next month – it was originally scheduled for the end of March. Also included is better information for road users and a trial project of bus-stop indicators giving arrival time of next bus.

Other measures include consideration by the Department of Trade and Industry of "first-stop shops" to provide a point of contact for small business. There will also be a further extension of performance-related pay, and a pilot scheme in Birmingham to test the benefits agency and the employment service working together to make applying for benefits easier.

However, Labour attacked the charter for failing to protect consumers from steep price rises in privatised utilities. Mr Gordon Brown, shadow trade secretary, said every family was paying £390 a year in contributions to the pre-tax profits of the privatised utility companies. He called for an immediate cut in prices and the introduction of ombudsmen to oversee the utilities.

Tony Andrews

Leading the way: John Major arrives to chair the discussion on the Citizen's Charter yesterday

Pilots' union picks former Communist

By Michael Smith, Labour Correspondent

A FORMER Communist has been elected general secretary of the British Airline Pilots Association – a union that has traditionally prided itself on being non-political but which is thought to have a relatively high proportion of Conservative voters.

Mr Chris Darke, 42, an official of the MSF general technical union for 15 years, won 57 per cent of the votes in a ballot that attracted a 61 per cent turnout among the union's 5,300 members. He will start the £45,000-a-year job next month.

Balpa's national executive had backed Mr Darke, but supporters of Mr David Lebrecht, Balpa assistant general secretary and the only other candidate, said most members were unaware of Mr Darke's political background when they made the decision in March.

During the election campaign Mr Lebrecht's supporters enlisted Mr Norman Tebbit, former employment secretary and Balpa member, who warned that the union was in danger of losing its apolitical reputation if it elected Mr Darke.

Mr Darke said yesterday he had never tried to hide his former membership of the Communist party. He had left it in 1985 "because I fundamentally disagreed with what they were doing" and now described himself as centre left in the Labour party.

The job of general secretary of Balpa was not about politics, he said. "If Balpa did subscribe to any political view my first advice would be to isolate from it as speedily as possible."

Mr Darke wants Balpa to play a central role in developing the European Cockpit Association, an embryonic European union for flying crew. "It has tremendous potential to become the first truly European union."

Mr Darke's election follows the death last year of Mr Mark Young, who was general secretary for 17 years.

Shipper for trial on Nissan UK charges

MR Tore Arne Thorsen, managing director of Scansiris AS, a Norwegian shipping agency, has been committed to Southwark Crown Court for trial on charges alleging corporation tax fraud at Nissan UK, the former importer and distributor of Nissan vehicles in Britain, Kevin Done writes.

Also named in the charges against Mr Thorsen are Mr Octav Botnar, chairman and managing director of Nissan UK, and Mr Michael Hunt, deputy chairman and assistant managing director of Nissan UK. Mr Thorsen was committed for trial by Teesside magistrates on Thursday.

A warrant for the arrest of Mr Botnar was issued by the Inland Revenue in January, when he was in Switzerland. He has not returned since to the UK. The Swiss embassy said yesterday there was no agreement between the UK and Switzerland for extradition on alleged tax offences.

Mr Hunt and Mr Frank Shannon, a former Nissan UK finance director, were committed last month by magistrates in Worthing, West Sussex, for trial on related charges of corporation tax fraud. Their trial, which was originally set for the Old Bailey, will also now take place at Southwark Crown Court.

The charge against Mr Thorsen alleges that "together with Octav Botnar and Michael Hunt" he sought to defraud the Inland Revenue of corporation tax. The charge alleges that with Mr Botnar and Mr Hunt he "dishonestly" arranged for invoices to be prepared by Scansiris with "falsely inflated" freight charges due from Nissan UK.

The amounts were allegedly entered in the Nissan UK accounts for the years 1983 to 1992, resulting in Nissan UK's pre-tax profits being understated by £100m.

FoE plan to block bypass 'frivolous'

A DEVICE to block construction of a road by selling small plots of land to protesters was dismissed as frivolous and vexatious by the High Court yesterday.

The Norfolk branch of Friends of the Earth, the environmental pressure group, had paid about £2,000 for a ¾-mile stretch of disused railway line lying across the proposed route of the Wymondham bypass. It then sold off plots at £8.50 each to 1,700 supporters. FoE then claimed that the Department of Transport had failed in its legal duty to notify each individual plot owner of its plan to acquire their land through compulsory purchase orders.

Mr Justice McCullough ruled that the scheme was a device to frustrate the department. He struck out part of a court challenge to the orders, ruling that the plot owners' argument based on ownership of the square-metre plots was "frivolous, vexatious and an abuse of the court process".

Miss Denise Carlo, for Norfolk FoE and four individual plot owners, had been given leave to seek judicial review on the grounds that, as landowners, they had suffered a sense of grievance and substantial prejudice because they had not been notified.

The judge said the plot owners had known that the purchase orders would be made. The whole point of buying the plots was to frustrate the road scheme. However, the judge said they could challenge the road plan on the limited ground that the government disregarded evidence that, at a public inquiry in May 1990, Mr Philip Richardson, the mayor of Wymondham, misrepresented the views of the town council by saying that its members supported the department's preferred route for the bypass.

Levy threatened to curb packaging

By Ivor Owen, Parliamentary Correspondent

A LEVY may be introduced to curb extravagant use of paper and packaging for food, clothing and other consumer goods if voluntary action fails, Mr David Maclean, a junior environment minister, warned in the Commons yesterday.

He supported demands from all quarters of the Commons for further pressure to be imposed on packagers and retailers to reduce unnecessary packaging and waste.

Mr Maclean acknowledged the advantage of action on a European Community basis to deal with the issue, but emphasised the importance of ensuring that taxation of needless packaging should be handled at national level.

Although the government had no objection in principle to "an economic instrument such as a packaging levy", he stressed that the role of the EC in fiscal policy needed "very careful consideration".

Mr Maclean said officials of his department had met representatives of the packaging industry three times in the past six months to discuss ways of eliminating unnecessary packaging and reducing the amount of wrapping that is thrown away.

The government had indicated that it was prepared to take action "if the industry does not produce substantive proposals".

Mr Maclean said the British Retail Consortium had recently issued guidance on retail packaging to its members and their suppliers. Next week, he said, the industry would announce an initiative to deal with complaints about over-packaging.

Illustrating his department's commitment to recycling, Mr Maclean said 230 tonnes of waste paper had been collected since October 1990.

He predicted that the target of recycling 25 per cent of household waste would be achieved in the year 2000.

Blue Arrow accused may sack lawyers

By John Mason

THE TWO defendants in the second Blue Arrow fraud trial are likely to dismiss their lawyers and defend themselves in court because they face massive tax bills on their escalating legal costs.

UBS Phillips & Drew has agreed to pay the legal fees incurred by Mr Paul Smallwood and Mr Tim Brown, former equities directors with the company, who are charged with conspiracy to defraud over their roles in the 1987 Blue Arrow rights issue.

Under Inland Revenue rules, those payments will be treated as benefits in kind to be taxed at the 40 per cent top rate – leaving both with possible income tax liabilities of up to £400,000 if convicted.

The total bills for the two defendants, both represented by MacFarlanes, the City solicitors, and barristers led by Mr Anthony Arlidge QC, are each expected to approach £1m by the end of the trial.

The prospect of such large tax bills forced both Mr Smallwood and Mr Brown to consider giving up the services of their lawyers.

Although they have yet to reach a final decision and are still examining the possibility of receiving legal aid to pay for new lawyers, both have effectively reconciled themselves to mounting their own courtroom defences without qualified legal assistance.

The trial, which is expected to last about three months, is due to start early in October.

Both Mr Smallwood and Mr Brown are believed to be well aware of the strains and pitfalls of mounting their own defences – as demonstrated earlier this year by Mr Roger Seelig, a former Morgan Grenfell corporate finance director, prosecuted over his role in the Guinness affair.

Mr Seelig's trial was abandoned after the stresses of defending himself drove him to the brink of a nervous breakdown. Court proceedings had been slowed by Mr Seelig's emotional outbursts and psychiatrists brought in to examine him expressed concern that he had become potentially suicidal.

The tax liability has not arisen with those Blue Arrow defendants formerly employed by County NatWest. Unlike Phillips & Drew, County has undertaken to meet the personal tax liabilities of all former employees prosecuted by the Serious Fraud Office over the affair.

The issue is now understood to be the subject of "sensitive" discussions between County and the Inland Revenue.

Mr Justice Brooke, the judge in charge of the two forthcoming Blue Arrow trials, yesterday rejected claims on behalf of the four remaining defendants that charges against them should be dropped because they could not be given a fair trial.

The trial of Mr Charles Villiers, a former County chairman, and Ms Elizabeth Brimelow, a former County compliance director, is expected to start in January.

Former Lotus chairman is jailed for fraud

By John Griffiths

MR FRED BUSHELL, the former Group Lotus chairman, was jailed for three years and fined £2.25m yesterday for his part in a conspiracy that defrauded De Lorean Motor Cars, the Belfast manufacturing subsidiary of Mr John De Lorean's abortive sports car venture, of $17.65m.

Lord Justice Murray, sentencing Mr Bushell in Belfast Crown Court yesterday, described him as a key figure in "a bare-faced, outrageous and massive fraud".

The Belfast venture collapsed 10 years ago after nearly £78m of taxpayers' money had been invested in it.

The government and Cork Gully, the receivers, are still seeking to recover funds from Mr De Lorean and others. So far, about £14m has been retrieved. The government is also suing Arthur Andersen, the De Lorean auditors, for £240m, claiming it should have been aware of mismanagement.

Mr Bushell pleaded guilty to conspiring with Mr De Lorean, the late Colin Chapman, founder of Group Lotus, and others to defraud the Belfast company over a four-year period to December 1982.

Lord Justice Murray said both Mr De Lorean and Chapman would have merited a sentence of 10 years for their part in the conspiracy. Mr Bushell was receiving a reduced sentence because of his late decision to plead guilty and his poor health. Mr De Lorean faces arrest should he return to the UK.

Mr Bushell was also ordered to pay £100,000 costs and was warned that his sentence would be increased to four years if he failed to pay the full fine. The judge ordered that £702,010 frozen in a Swiss bank account – and now part of the £2.25m – be made the subject of a compensation order.

The court was told that Mr Bushell had received $848,000 in the fraud, much of which had never been recovered. The judge said he was making the costs order because he was satisfied Mr Bushell had engaged in hindering activities.

Earlier, the court had heard how De Lorean Motor Company had entered into a $17.65m contract in 1978 for Lotus to develop the prototype. The work was supposed to have been paid for by US investors, but instead was paid for by De Lorean Motor Cars, the government-funded Belfast manufacturing subsidiary.

None of the money was received by Group Lotus. Mr Bushell and his fellow conspirators kept it after it had been funnelled through a Panamanian-registered, Geneva-based company, GPD Services, which had been set up a year earlier by Chapman and Mr Bushell.

The work was later carried out by Group Lotus but paid, on another invoice, by the Belfast company.

The prosecution said the fraud had inflicted a serious financial loss on the De Lorean company and was one of the factors that led its collapse.

Fred Bushell: described as a key figure in a "bare-faced, outrageous and massive fraud"

O&Y faces threat to scrap Canary lease

By Vanessa Houlder, Property Correspondent

AMERICAN EXPRESS, the financial services group, said yesterday it would abandon plans to move 1,500 staff to Canary Wharf, the £1.5bn project in London Docklands that is in administration, unless contractual obligations were met.

The group has filed in US and Canadian courts to notify Olympia & York, owner of Canary Wharf, that payments totalling £22m due to American Express under a lease agreement have not been made.

Under the 30-year lease signed by American Express in June 1990, O&Y agreed to provide a fitting-out fund and to assume certain obligations for premises now occupied by American Express in London.

On April 1 this year, O&Y was due to pay Amex £31m, which was the unspent balance of its fitting-out fund and £8.5m in respect of takeover leases. By May 28, the date Canary Wharf went into administration, O&Y still owed American Express £22m.

"We would reiterate that American Express has no intention of completing the lease provided for in the agreement or of moving to the premises unless they are satisfied that [the developers] intend, and are in a position, to honour all of their obligations," lawyers for American Express said a letter to O&Y on Thursday. The payments concern fitting out the Canary Wharf building and indemnity against continuing liability on existing premises. Olympia & York agreed to take on 240,000 sq ft of space occupied by Shearson Lehman, the investment banking subsidiary of American Express, at Broadgate in the City of London.

A decision by American Express to pull out of Canary Wharf would be a serious blow for the project. As one of Canary Wharf's most prominent tenants, its withdrawal would further undermine the possibility of creating a prestigious business centre in Docklands.

Other tenants are reviewing plans to move to Canary Wharf, which could leave the project substantially unlet. Leases have been signed on 60 per cent of the first phases, but only 14 per cent of the tenants are installed.

The administrators' dilemma is that incentives offered by Olympia & York to tenants were so generous that it could be cheaper to persuade them not to move.

Olympia & York's policy was to ask high rents for space at Canary Wharf, while offering large incentives to sweeten the deals for tenants in the early phases of the project. Bankers believe that many of these deals do not make sense now the project is in administration.

Canary Wharf's administrators, Stephen Adamson, Nigel Hamilton and Alan Bloom of Ernst & Young, are due to present their initial proposals for the future of the project next Wednesday.

Names press for special meeting

A GROUP of Names is to seek an extraordinary general meeting of Lloyd's of London to press for reforms at the insurance market early next week, Richard Lapper writes.

One hundred and ten of the market's more than 20,000 Names – the individuals who provide the market's capital – have signed a motion that will be submitted to Lloyd's on Monday, according to Mr Richard Astor, a lawyer who has organised the move. Under the society's rules, Lloyd's must convene the EGM within four to six weeks once it has been asked for.

The EGM will act as a focus for the anger of Names facing heavy losses, who have been disappointed by this week's decision to reject a bail-out plan. A minority of Names will bear the brunt of losses of about £2bn for the 1989 year which Lloyd's will report at its annual general meeting on Wednesday.

The motion alleges that the council – the Lloyd's governing body – has failed to properly manage the affairs of Lloyd's and ensure protection to Names.

Asda launches discount store

ASDA is launching a limited-range discount superstore which, if successful, may lead to a significant repositioning of the Leeds-based grocery chain.

The company will today open a converted 34,000 sq ft superstore, trading under the Dales logo, in Longsight, Manchester. Two other experimental stores are expected to follow shortly in different catchment areas.

The Dales stores will provide a narrow range of goods concentrating on fruit and vegetables and baked products.

Basketball star due in court

MR ALTON BYRD, the basketball star who is in Spain with the British Olympic squad, is one of three men due to appear in a London court next month in the latest insider dealing prosecution by the Department of Trade and Industry.

Mr Byrd, a former account manager with Svenska International, the London arm of Svenska Handelsbanken, Sweden's second-largest commercial bank, is accused of six offences of communicating unpublished price-sensitive information about securities and one of counselling or procuring another person to deal in securities.

Mr Roger Hull Wilcocke, a company director, and Mr Graham Julian Shear, a solicitor, are each accused of one offence of unlawful dealing on the basis of unpublished price-sensitive information.

Mars Bar advert complaint rejected

THE MARS Bar advertising slogan – "A Mars a day helps you work, rest and play" – does not mislead consumers, the Independent Television Commission has ruled.

It rejected a complaint by Action and Information on Sugars, a pressure group concerned at the amount of sugar in the UK diet.

BCCI settlement moves closer

TOUCHE Ross, the provisional liquidators of the Bank of Credit and Commerce International, has moved closer to gaining complete approval for the $1.7bn compensation package negotiated with the Abu Dhabi majority shareholders.

A court in Grand Cayman which has jurisdiction over BCCI Overseas, one of BCCI's two banking arms, gave its approval to the package on Thursday, effectively endorsing the English High Court decision a week earlier.

Business rate

BUSINESSES that benefit from the Budget measure to improve transitional arrangements for the uniform business rate should receive their lower bills in August, Mr John Redwood, the local government minister, said yesterday.

Crisps dispute

UNIONS at Smiths Crisps have voted 834 to 419 on a turnout of more than 75 per cent for industrial action. The move is in response to a company decision to abandon national bargaining and national union agreements in favour of plant-level bargaining.

Irish government in Ulster talks

By Ralph Atkins

SYMBOLISM, rather than substance, dominated the first negotiations yesterday between Northern Ireland Unionists and the Irish government since 1973 – or since partition in the 1920s, depending on definitions.

This was not "strand two" of the seven-week-old talks on Northern Ireland's future. It was about drawing up an agenda for the point when the Irish government will formally enter to talk about relations between north and south Ireland. Sir Patrick Mayhew, Northern Ireland secretary, has still to announce when that will be.

As befitted a meeting no side wanted to overpromote, delegations were of officials or MPs, not party leaders and ministers.

Arrivals were in modest official saloons or black cabs. Confidentialities were kept.

The Rev Ian Paisley's Democratic Unionist party was expected to be the most recalcitrant. But he sent his daughter Rhonda, dressed in red, as in the Red Hand of Ulster, and Mr Nigel Dodds, a former lord mayor of Belfast – the grandest post in Northern Ireland's local politics, even if its responsibilities stretch only to bins, bogs and burials.

As for other portents, the more moderate Dr Chris McGimpsey, of the Ulster Unionist party, wore a green tie.

The nationalist Social Democratic and Labour party – the keenest on strand two and strand three (the final strand) - arrived 10 minutes late. "Bomb scares all over the place," said Mr Seamus Mallon, SDLP deputy leader.

The independent chairman was Sir Ninian Stephen, former Australian governor general. He has had a rapid lesson in the nuances of Northern Ireland politics.

Inside, the delegations sat around a rectangular ash table with green inlay. They talked, broke for lunch, then met again.

Late in the afternoon, as a storm broke over Westminster, a statement was agreed. "The parties completed consideration of a possible agenda for strand two," it said. As with the thunder, it was not clear what was foreshadowed.

Binders partner resigns after coup

By Andrew Jack

THE NATIONAL managing partner of BDO Binder Hamlyn, the eighth-largest UK accountancy firm by fee income, resigned on Thursday night after a partnership coup removed him from his post.

Mr Chris Swinson was replaced by Mr John Norton, the existing senior partner, at a meeting of the firm's national partnership committee. Mr Swinson resigned from the firm shortly afterwards.

Mr Swinson said yesterday that his resignation had followed "a dispute about the future management of the business". He said: "It was just untenable to continue with the firm."

He denied that the dispute was over a possible merger with another accountancy firm.

"I have a mixture of emotions," Mr Swinson said. "Some of it is relief, some of it is disappointment. I am currently examining my options and enjoying the company of my family."

Mr Swinson has been an outspoken voice in the accountancy profession and he failed to win the vice-presidency of the Institute of Chartered Accountants in England and Wales this year. He had been widely credited with saving Binders when he was appointed a few years ago.

Earlier this month Binders reported fee income down by more than 4 per cent, one of only four of the top 25 firms to report an absolute decline. The result reduced its ranking from seventh to eighth-largest UK firm.

CORRECTION

Lazard Brothers

THE FT of Monday June 15 incorrectly reported that Lazard Brothers managed a portion of the Mirror Group Newspapers Pension Scheme. In fact, Lazard Freres and Co was the manager.

Some MCC businesses to be sold

By Raymond Snoddy

OFFICIAL Airline Guides, bought by Robert Maxwell for $750m in 1988, is to be sold to pay off some of the debts of Maxwell Communication Corporation.

OAG, the provider of airline schedule and fare information, as well as a number of other MCC information businesses, will go by trade sale or public offering.

Price Waterhouse, the administrator, has divided the main MCC assets in the US into two parts: the Macmillan publishing businesses, which are to be retained; and the information businesses, which will be sold.

Macmillan Publishing, which includes college, trade and reference books, is likely to be floated next year.

The sale of the US businesses is expected to raise a total of between $700m (£375.2m) and $1.1m, as well as about £100m from UK businesses, net of tax and other costs.

The proposals for Macmillan and OAG do not cover the group's 56 per cent shareholding in Berlitz International, which is the subject of legal action. Ownership is contested between Macmillan and a number of financial institutions, to which the shares were allegedly pledged by private Maxwell companies as security for loans.

No agreed list of creditors has yet been drawn up, but the total sum owed is estimated at about £1.6bn.

The administrators say the Macmillan and OAG businesses are well managed and profitable, and will be held as long as necessary to achieve full value.

MCC is in administration in the UK and under Chapter 11 protection in the US. Administrators in both countries have been trying to find common legal ground between the different requirements of UK and US bankruptcy law.

Apart from OAG, the administrators plan to sell:

- Standard Rate & Data Service, which compiles and distributes media and marketing information to US advertising agencies; and
- Molecular Design, the supplier of information management systems for pharmaceutical and chemical research;
- P.F. Collier, which publishes and markets the Collier Encyclopedia.

Maxwell saga enters new phase

Bronwen Maddox reports on how the investigations may develop

THE ARREST and charging of Mr Kevin Maxwell and Mr Ian Maxwell this week, together with Mr Larry Trachtenberg, the US businessman who was one of their investment strategists, launches the Maxwell investigation into a new phase.

Media reporting about the Maxwell brothers and Mr Trachtenberg is now restricted by the rules of contempt of court. The recent flood of "signature" stories – who allegedly signed what documents and when – that had painfully started piecing together a public explanation of how the money may have vanished, will now largely stop.

But the investigation by the administrators of Robert Maxwell's collapsed business empire and by the provisional liquidators of the raided pension funds continues, and so will the accompanying civil cases in the courts for battles over the ownership of the assets of the Maxwell empire.

Several pressing questions remain to be answered.

How much can be recovered for the pensioners? The Maxwell pension funds should have been worth more than £670m. Instead, £448m of the assets are missing. Some cash is now in the hands of the banks.

The tussle between banks and pensioners will be one of the focuses of civil actions that will occupy the next few years. Some battles have already begun. Next week, National Westminster Bank and the administrators of the private Maxwell companies are expected to resolve the dispute over which side owns a £21m block of shares in Teva, an Israeli pharmaceutical company.

Meanwhile, MPs from both sides of the Commons have declared that the banks have a "moral responsibility" to return some of the money. Mr Peter Lilley, social security secretary, announced last week that a government trust to solicit contributions for the Maxwell pensioners will be headed by Sir John Cuckney, a leading City figure with a reputation as a company doctor. Mr Lilley suggested that financial institutions might feel that they had some responsibility to recompense Maxwell pensioners.

That committee arose out of the intense public pressure of the past two weeks, both from the press and from the recent pensioners' march on the Commons.Its aims may well be too optimistic; financial institutions have reacted with indignation, saying they are not responsible for the alleged fraud. The issue will be systematically and probably more effectively tackled in the courts, but that will take years. Until the response of the banks is clearer, the government has allocated just £2.5m as an emergency fund for the Maxwell pensioners.

There will also be civil actions against individuals. Robson Rhodes, the accountancy firm appointed to try and recover pension money, already has civil actions for recovery of assets against both Maxwell brothers.

Second, there is the question of the mysterious overseas Swiss, Gibraltar and Liechtenstein trusts set up by Maxwell. Up to this point, investigators' questions have been rebuffed by laws of confidentiality of those countries.

But those trusts, which are the ultimate owners of some of his companies, also handled hundreds of millions of pounds of cash in the last year of Maxwell's life, flowing in and out of his more accessible UK and US companies.

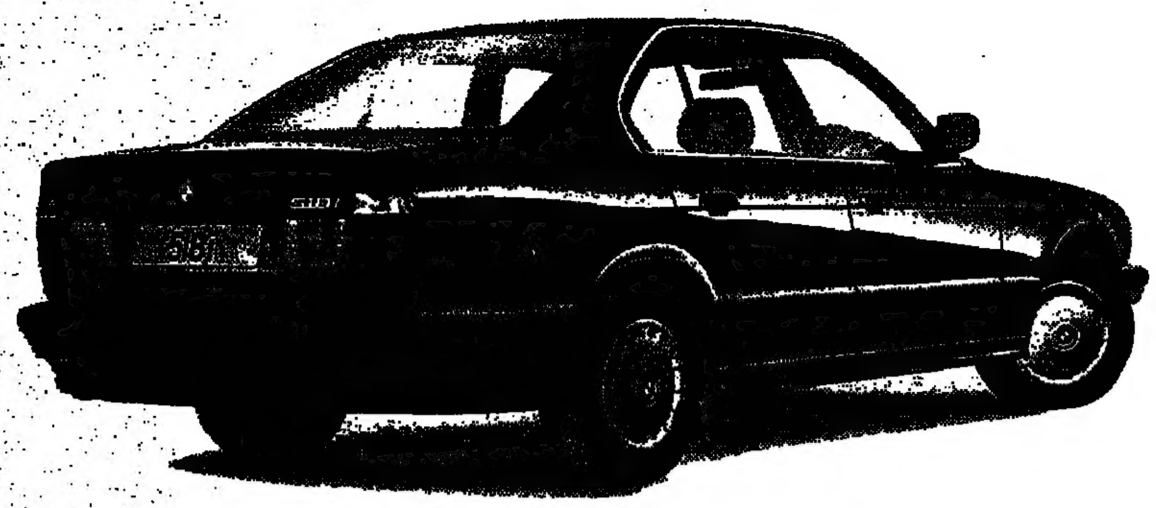
So far, the investigators have not found evidence of a hidden Maxwell pot of gold that would offer some comfort to the creditors and pensioners' difficulties. If there is one, though, it lies in some of those trusts.

Last week saw a second, unexpected response to press and public pressure: the first ever press conference by Dr Werner Keicher, director of the secretive Maxwell Foundation based in Liechtenstein which is one of the owners of the Maxwell corporate empire. Dr Keicher indicated that he was willing to co-operate with UK investigators in establishing whether money could be retrieved for victims of the Maxwell fraud.

Third, attention is likely to turn to the question of whether the professional firms involved – auditors, actuaries, merchant banks, stockbrokers – fulfilled their responsibilities. Similar questions can – and will – be directed against Imro, the fund management watchdog, which had the responsibility for licensing and supervising the Maxwell pension management companies.

The alleged offences in the charges made against the Maxwell brothers and Mr Trachtenberg occur between November 1990 and December 1991, five weeks after Robert Maxwell's death. The questions that may be directed to professional firms are likely to ask whether they should have detected worrying patterns of behaviour as far back as 1989. Robson Rhodes has said that in its view some of the pension funds' trading may have been highly irregular from that date onwards.

Robert Maxwell's last will and testament left more than £2m to his family and friends, with the rest of his personal estate going to causes including world peace, the defence of Israel and the eradication of Alzheimer's disease and cancer. It is expected to go to probate. Once that happens, it is in the public domain and will form part of the assets to which the various creditors have claims.



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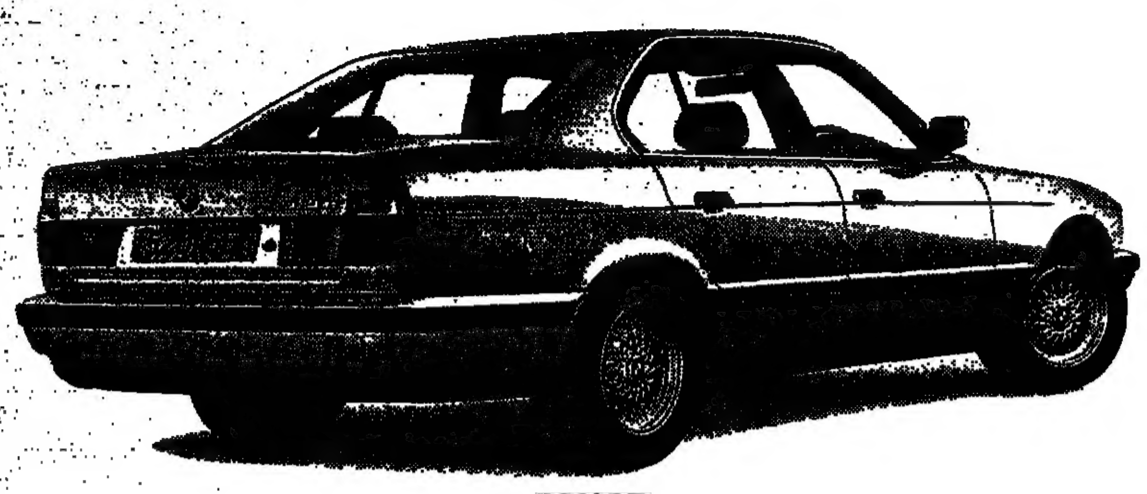
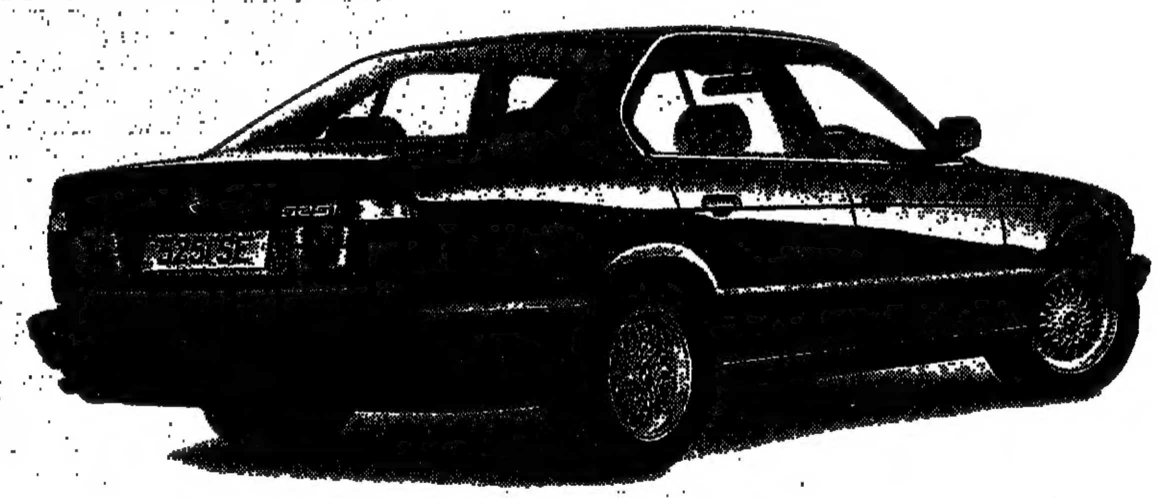


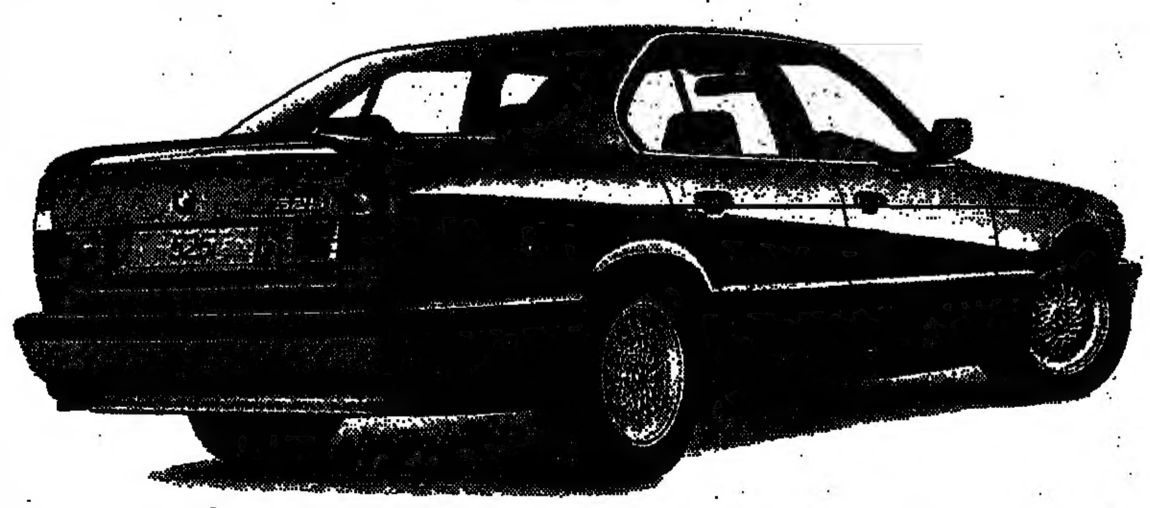
520i SE.
2.0 litre, 6 cylinder 24 valve fuel injected engine, 150 bhp, 0-62 mph in 10.6 secs.
£20,975.

520i Touring.
2.0 litre, 6 cylinder 24 valve fuel injected engine, 150 bhp, 0-62 mph in 11.3 secs.
£20,950.



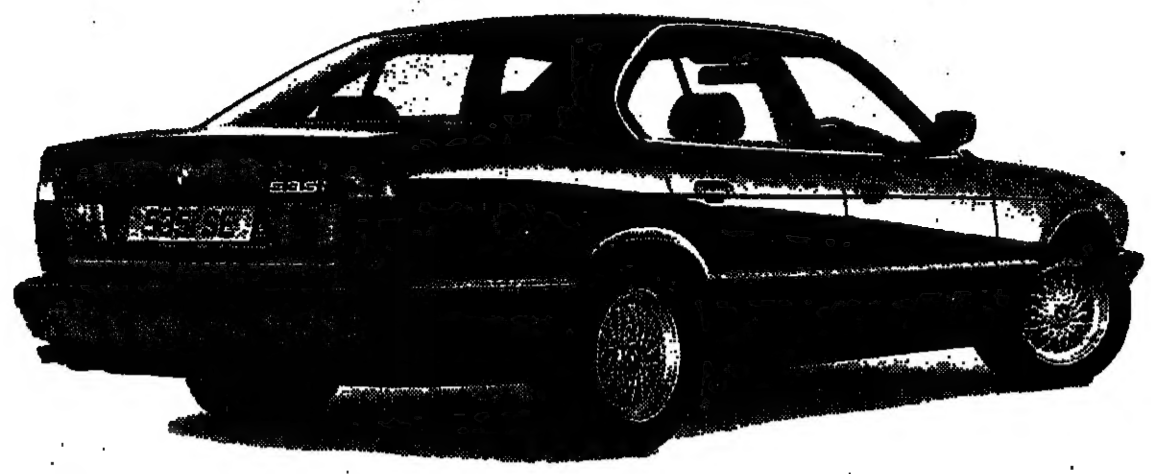
525i SE.
2.5 litre, 6 cylinder 24 valve fuel injected engine, 192 bhp, 0-62 mph in 8.6 secs.
£24,840.

525i Touring.
2.5 litre, 6 cylinder 24 valve fuel injected engine, 192 bhp, 0-62 mph in 9.2 secs.
£24,950.

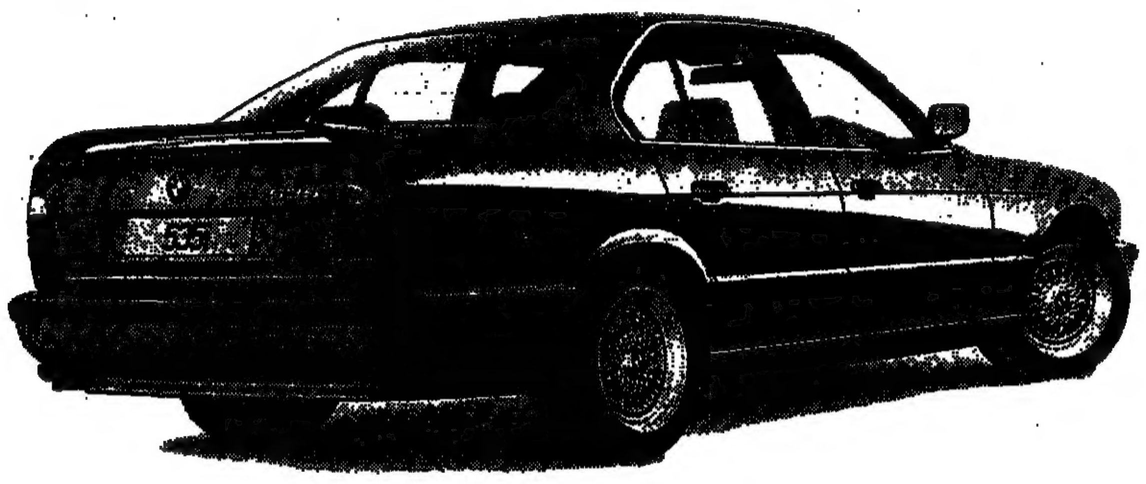


525i Sport.
2.5 litre, 6 cylinder 24 valve fuel injected engine, 192 bhp, 0-62 mph in 8.6 secs.
M-Technic Sport Equipment. £27,340.

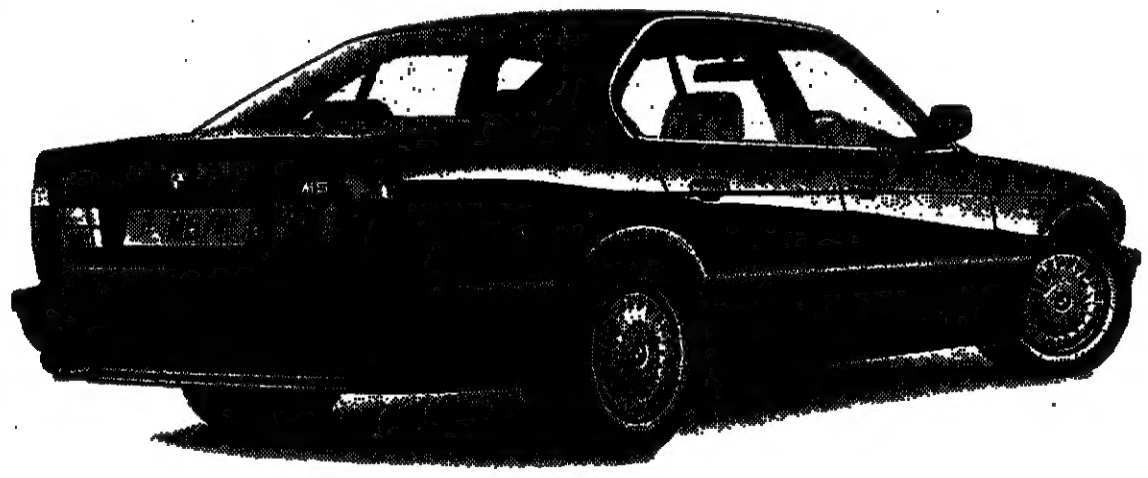
525ix SE Touring.
2.5 litre, 6 cylinder 24 valve fuel injected engine, 192 bhp, 0-62 mph in 10.0 secs.
£28,985.



535i SE.
3.5 litre, 6 cylinder engine, 211 bhp, 0-62 mph in 7.7 secs.
£28,540.



535i Sport.
3.5 litre, 6 cylinder engine, 211 bhp, 0-62 mph in 7.7 secs.
M-Technic Sport Equipment. £32,240.



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Saturday June 20 1992

Pensions after Maxwell

ONE OF the least attractive features of the way in which financial services are regulated in Britain is that no loophole or abuse is ever addressed until a scandal of such magnitude breaks that it becomes impossible for the government of the day not to act. Thanks to the monstrous theft perpetrated by the late Robert Maxwell against pension scheme members in his business empire, the time for action has belatedly arrived. The striking feature of Maxwell's crooked dealings, which have been revealed in all their convoluted detail in a series of articles in the Financial Times this week, is that they were constrained by scarcely any checks and balances worthy of the name. What lessons can we draw from this extraordinary saga for future pensions provision and regulation?

It is tempting, especially for those directly involved in the pensions business, to regard Maxwell as a one-off phenomenon; and certainly the scale of the theft was unprecedented. Yet it could also be argued that Maxwell is simply an extreme case of a more widespread problem, which is that directors often have considerable discretion over the deployment of pension scheme assets in circumstances that involve severe potential conflicts of interest *vis-à-vis* the beneficiaries.

One narrow manifestation of that problem has emerged over the past 10 days in the shape of news about several perfectly legal, but incestuous, deals between companies and their pension funds. These include transactions at groups as various as Burlington International, cooker manufacturer Belling and LEP Group. The common feature is that the companies entered into these transactions while financially stretched – Burlington and Belling are now in receivership – and there are now questions about the implications for pension benefits.

Compensation scheme

A government committee under Professor Roy Goode will shortly examine a range of issues to do with the legal framework, the ownership of pension scheme surpluses and the case for a compensation scheme, all of which have a bearing on transactions of this kind. While it is a tribute to the integrity of British employers that conflicts of interest have been so infrequently abused in the past, it is also clear that with corporate failures running at a high level, pension scheme assets are at risk as never before. The government must recognise that legislation cannot wait. A ban is needed on all dealings between companies and their pension funds.

This would not stop another Maxwell, but it would be a deterrent for those employers who would stop at a breach of the law. It would also spare the government a bigger spate of demands for compensation following its decision to provide modest support for Maxwell pensioners.

The wider manifestation of the inherent conflict of interest in occupational pensions can be seen in the argument over the ownership of pension fund surpluses. Employers argue that they are entitled to surpluses because they guarantee the solvency of the scheme. Yet the guarantee depends entirely on the goodwill of the employer, since employers usually control the board of trustees; and most trust deeds permit the trustees to change the rules at whim, including those relating to the solvency guarantee.

Contribution holidays

One consequence of all this is that companies are often taking contribution holidays when present and deferred pensioners are still suffering from a fall in the value of their pension in real terms. There are also numerous inequitable cross-subsidies in the system such as those whereby long stayers benefit at the expense of the redundant, whose pension rights are devalued either by inflation or penal actuarial valuations on transfer to other funds. And since the cost of pensions funding increases as employees grow older, employers have a powerful incentive to lay off ageing employees.

None of this seems compatible with any meaningful notion of trust. It also points to a fundamental flaw in the legal framework, which is that trust law was simply not designed for an arrangement where the settlor of the trust retains a continuing interest in the finances of the scheme. The natural priority for Professor Goode's committee will thus be to weigh the case for reform of trust law as opposed to new pensions legislation; to consider ways of making trustees genuinely independent and of ensuring that assets are safely out of reach of company management; and to recommend some form of bonding or compensation scheme to provide for the victims of abuse.

Yet it could be argued that the whole system of occupational pensions is so fundamentally flawed that a more radical approach is called for. It is simply impossible to escape the ill-effects of the conflicts of interest inherent in paternalistic final salary schemes.

If pensions in the Maxwell empire had been organised on a personal basis, the scope for theft, cross-subsidy and arguments about surpluses would have been much reduced. Professor Goode should not hesitate to express a view on the more radical options.

Lloyd's summer of discontent

The insurance market is taking steps to meet a shortage of capital and a crisis of confidence, writes **Richard Lapper**

At the annual general meeting of Lloyd's of London last June Mr David Coleridge, the insurance market's 60-year-old chairman, gave a virtuoso performance. Standing with his back to the yellow and silver escalators at the centre of the market's glass and steel headquarters, Mr Coleridge held court with a hostile audience of Names for four hours, explaining the reasons for the market's first loss in 20 years.

"Tears were streaming down his face as I gave the vote of thanks," says Mr Robert Hiscox, who was then chairman of Lloyd's Underwriting Agents Association.

At this year's AGM next Wednesday Mr Coleridge's task will be even more difficult. Up to 3,000 Names – the individuals whose personal wealth underpins the market's capital base – will be severely affected by losses of some £2bn accumulated by their syndicates in 1989 which, in line with the three-year accounting system used by Lloyd's, are reported this year.

The losses are the biggest the market has incurred and their burden will fall most heavily on members of spiral reinsurance syndicates which specialised in reinsuring each others' and company exposures to high-level catastrophe risks. About half the market's total £2bn loss will be borne by 15 of the 401 syndicates trading in 1989. They have been swamped by claims arising from hurricane Hugo which devastated the Caribbean in September 1989, and a series of other disasters. Several thousand Names on syndicates managed by the Gooda Walker agency, which is now in liquidation, face losses of about £500m.

Lloyd's decision this week to reject a plan to bail out the hardest-hit Names will fuel anger among them. Some allege that working Names – market insiders who work with agents and brokers – accepted the least risky business for themselves and thus avoided the worst losses. Further complaints include claims that underwriters charged rates that were too low for the size of risks being covered, and that agents funnelled some Names into too many spiral syndicates. A blizzard of litigation is being promised by Names' leaders to add to the legal actions being taken by several thousand Names against their agents and against Lloyd's itself.

Yet despite the sense of crisis that has severely dented confidence in the market, in some respects there is more optimism than when Mr Coleridge gave his performance last year. Several developments over the past 12 months give for hope that once the storm is past, the market may be on the road to a new phase of prosperity.

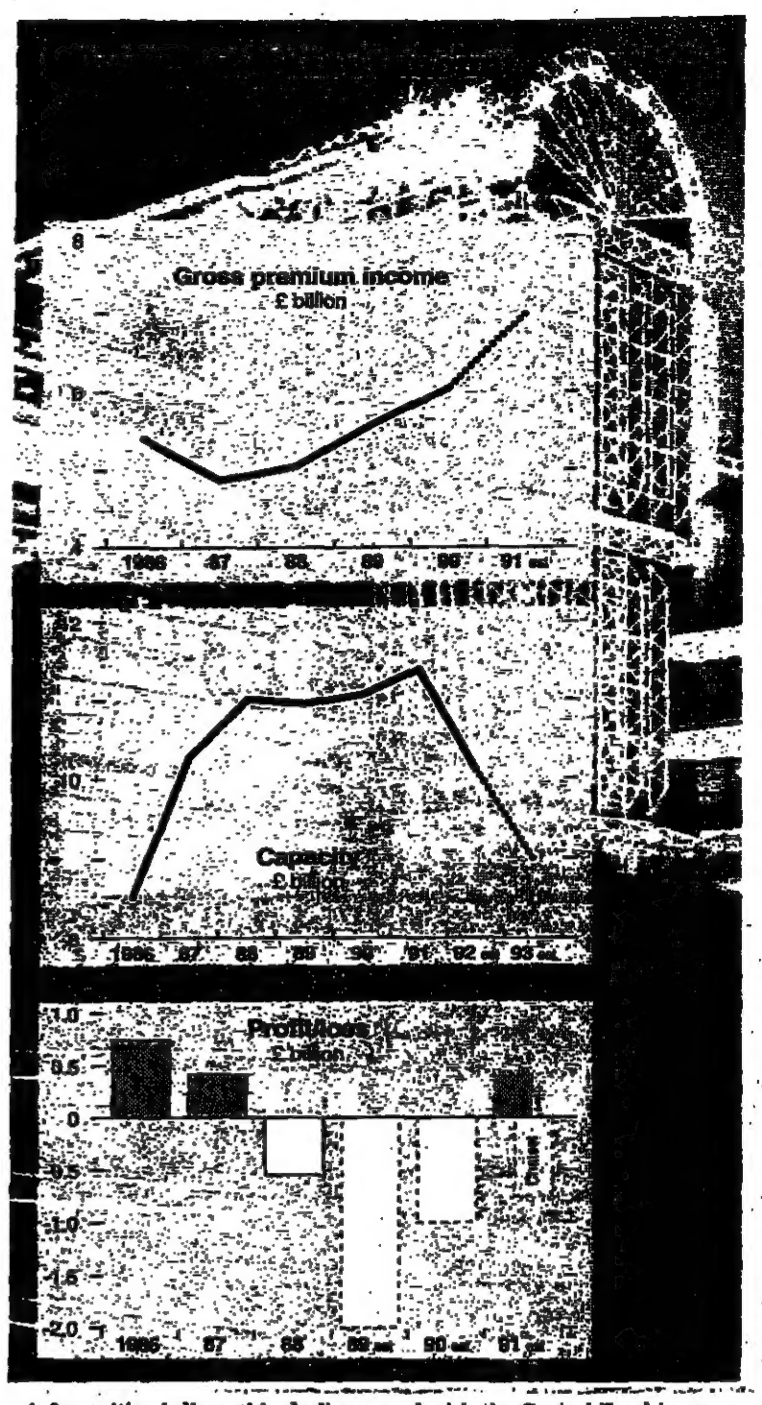
- Virtually all sectors of the market are benefiting from rising rates, which is increasing the flow of cash into syndicate funds, helping to alleviate liquidity problems caused by the big catastrophe claims of 1989 and 1990 and bringing the slim prospect of profit for 1991 business. "Underwriters are beginning to walk around with a spring in their step," says an agent.

For example, rates for marine and aviation insurance have climbed steadily upwards and insurers have attached tough new conditions to policies.

- The "hardening" of the market has been reinforced by a reduction in syndicates from 354 in 1991 to 278 this year, and stronger management by the agencies, which manage syndicates and handle the affairs of Names. This makes a repeat of some of the worst mistakes of the 1980s less likely.
- Although the market is mired in litigation, Lloyd's has won some decisive battles. In April Lloyd's defeated a move by 800 Names to seek injunctions preventing the market from drawing down on their deposits to pay losses. Several cases have been won in the United States, where Lloyd's has successfully argued that disputes between Names and their agents must be heard in English rather than in American courts.
- Lloyd's has quashed fears, rife earlier this year, that it may even be unable to meet claims because of cash flow or solvency problems. This month the size of the Central Fund – which pays claims when Names are unable to meet their obligations – was increased by £500m to £1bn. The money was raised by a one-off levy on Names participating in the 1990, 1991 and 1992 years.
- Measures to strengthen the regulation and leadership of the market could also be in the pipeline. Early next month the conclusions of a committee headed by Sir Jeremy Morse, chairman of Lloyds Bank, which has been examining these issues, will be published and almost certainly acted upon by the market.

The committee is tipped to endorse proposals which would lead Lloyd's to introduce a greater element of external monitoring of its system of self-regulation. It could also push for the setting up of a market board to provide more effective business leadership.

A second committee, chaired by Sir David Walker, head of the Securities and Investment Board, which has been examining allegations of "insider trading", will also report next month. Mr Coleridge, who earlier this year promised to "string up" anyone found to have committed such offences, will hope that the report puts an end to damaging reports which have tarnished the market's image.



Despite progress on all these fronts the market faces the problem of a potentially acute shortage of capital in the medium term. The exodus of Names and the steady reduction in the size of its capital base looks set to continue.

Since 1988 some 10,000 Names have ceased underwriting at Lloyd's. Mr Colin Murray, a Lloyd's Council member, said this week that he expects the number of Names to shrink by a further 10 per cent this year, taking numbers from their present level of 22,300 to below 20,000.

Last year the market's total capacity fell from £11.4bn to £10.1bn and is set to drop to at least £9bn next year. Some pessimists put the figure as low as £7bn.

A few critics believe this decline indicates that the capital base of the market is beginning to disintegrate. Mr John Rew, co-author of Chatset, a company which monitors the results of syndicates, says that without external help the market is set to "melt down".

He predicts that the weight of catastrophe losses and continuing claims from US asbestosis and pollution cases will gradually eat away at the assets of Lloyd's Names and undermine future profitability, with the market's capacity shrinking to as little as £4bn by 1995.

Mr Rew predicts that a further levy on Names will be needed to replenish the Central Fund to cover losses arising from 1990 and 1991 business, which could amount to more than £1.75bn, he says. This will have the effect of "cascading" the losses of the worst-hit Names across the entire market.

Other observers who take a far more sanguine view are still concerned about capital shortages. Mr David Rowland, chairman of Sedgwick, the international broker, who last year headed a review of Lloyd's business practices, says capital shortages could restrict the market's growth and reduce its ability to compete in the international reinsurance and specialist commercial insurance markets.

Although Lloyd's current capacity of £10.1bn is well in excess of its premium income – which reached an estimated £7bn last year – a shortage is already apparent as rates start to rise. In other words, some big companies are unable to buy enough insurance to meet their needs.

Two solutions have so far been devised to solve the problem of expanding the capital base. First, a scheme to cap the losses of new Names who join next year has been introduced. This radically modifies the principle of unlimited liability, whereby Names commit their entire personal wealth to backing the market. New members should be attracted to the market if their risks are thus reduced. Second, in the medium term, the hunt is on for corporate capital. The suggestion that Lloyd's should tap this source of funds for the first time was one of the most radical conclusions of the Rowland task force's report.

So far the signs are reasonably good. Lloyd's has received legal opinions indicating that no substantial changes to the Lloyd's Act which provides for self-regulatory status will be required. Over the next six months another Lloyd's committee will negotiate the regulatory and tax implications of such as move in all the markets in which Lloyd's trades. Corporate capital could be introduced by 1994.

Meanwhile, in a supplementary move to gain indirect access to corporate capital Lloyd's has announced measures to make it easier for syndicates to form consortiums with insurance and reinsurance companies. They also intend to make more use of reinsurance to offset risks.

Several agencies are getting into shape to attract corporate investors. For instance, Castle Holdings, one of the fastest-growing agencies, last month announced a reorganisation of its syndicates, centralising administration of its nine syndicates and more precisely focusing the actitivies of each.

Mr Alec Sharp, a leading underwriter with Castle, says: "Corporate capital is a different kind of philosophy to Names' capital." In general, agents and underwriters will need to operate in a more open and disciplined way.

In line with others at Lloyd's, Mr Sharp believes that the most obvious source of capital will be the insurance and reinsurance companies which have traditionally worked alongside syndicates. He says participation in syndicates, possibly backed by a share stake and a position on the board of the managing agency, would offer several advantages for insurers, such as access to the specialist – and often expensive – skills of the most successful Lloyd's underwriters.

Ultimately though the willingness of corporate investors – and new Names – to commit capital to the world's oldest insurance market will depend on the confidence it inspires in those who do business there. As Mr Coleridge rises to speak next Wednesday he will be acutely conscious of that fact. Although some of the signs may be good, the fate of many existing Names and the repercussions of their legal battles could keep the market on the defensive for some time. Mr Hiscox is confident about the market's prospects, but says of Mr Coleridge and his task on Wednesday: "There aren't many men who would like to be in his shoes."

Maastricht back on track

Irish voters have brought the EC back from the brink, says **David Buchan**

By their two-to-one vote in favour of the Maastricht Treaty, Irish voters have firmly hoisted the EC's project for political and monetary union back on to the rails.

It is still – and will be for many months – an open question whether the Community locomotive will eventually reach Union Station, or hit another set of buffers along the way. Ten more EC states have yet to pronounce on Maastricht. Any repeat of Denmark's June 2 rejection would derail the Maastricht train for good. And, because of Denmark's decision, it is still unclear whether the train will have more than 11 carriages to it.

But the "pleasure and delight" which Mr Albert Reynolds, the Irish prime minister, said he felt at his people's "very clear-cut" approval of Maastricht was yesterday felt around Community capitals.

In the very short term, the Portuguese presidency of the EC can now expect to host a "normal" summit next week in Lisbon. That is to say, it can be a summit devoted largely to such traditional Community activities as squabbling about money and sites of its institutions, rather than a crisis session of soul-searching about the Community's future, or even its present existence.

Another immediate consequence is that Mr Jacques Delors is sure to be renominated in Lisbon as Commission president. Only a heavy Irish "no" might have led some EC leaders to question the wisdom of keeping him on in the drivers' cab. Even then, they would have been pushed to find plausible alternatives among Mr Delors' 16 fellow commissioners.

The Irish vote bodes well, but not decisively, for a "yes" to Maastricht in France's autumn referendum. France will be the last of the three countries seeking direct democratic approval of the European Union treaty. For Maastricht's sake, this is probably just as well. An opinion poll yesterday showed 52 per cent of Germans would vote against the treaty, if given the chance.

The evidence, from the national parliamentary debates and from the two referenda that have now taken place, is still that what most people think is right or wrong with the future Maastricht Treaty is largely derived from what they already believe to be right or wrong with the existing Community. Many Irish said "yes" to Maastricht, simply because in 19 years of EC membership they have always got more money out of the EC than they paid in. Likewise, pollsters' subsequent questioning of Danes who voted "no" on June 2 shows that many were preoccupied by such irritants as EC prescriptions against "curved cucumbers" (straight ones are easier to pack, deemed the EC).

Logically, therefore, the Irish "yes" does not cancel out the Danish "no". These different verdicts largely reflect the Community's differing impact on these two countries. Politically, too, the Irish vote does not mean a return to the *status quo ante* June 2. Federalists now realise they may have been lucky to get a Maastricht Treaty signed at all. Until June 2, the European Parliament, and to some extent the Commission, carped endlessly about Maastricht's failure to give them more power. No longer. They now praise, and pray for, it.

Another consequence is that, in the backwash of the Danish vote, "the Commission is beginning to see itself as others do", said a senior EC official yesterday. "That is no bad thing. Mr Delors has taken on the chin the criticism that he has been a grabber of power. In an interview this week, he pledged Brussels would not tread on member states' toes in matters of internal security, justice, local planning, health, culture and education, and said his Eurocrats had started work to return some implementation and supervision of EC environmental rules to governments.

The Danish reverse has also killed the notion that there must be further institutional reforms agreed before European Free Trade Association (Efta) countries join the EC during the 1990s. The dominant Brussels' view had been that the Lisbon summit should consider *more* majority voting, even beyond that contained in Maastricht, as the only way to stop decision-making in a more numerous Community seizing up. Apart from commissioners and ministers from Spain, which is allergic to Eftans joining on almost any terms, this view is espoused only by by Mr Frans Andriessen, the Dutchman who is external affairs commissioner, and by the Belgian government.

These developments are welcome to the UK government, which now has 10 days to the start of its EC presidency. "We want to turn these [Danish-caused] difficulties to good effect," said a British minister this week, "to get more progress on subsidiarity and enlargement than we otherwise could have." How to nail down Mr Delors' pledges, in particular on subsidiarity, in a way that could bring Denmark back into the fold at the year's end, while at the same time avoiding renegotiation of Maastricht, will be a test of British diplomacy.

But the glimpse of the abyss provided by Denmark may have a salutary effect. "There is a 50 per cent chance," says an EC official, "that we may come very close at Lisbon to agreeing on sites for our various new institutions", including the European Monetary Institute, planned forerunner of the European Central Bank. Equally, there is the outline of an agreement on future EC financing. These tricky issues have been put into proper perspective by the potential failure of Maastricht – provided the Irish "yes" does not restore the sense of complacency shattered by the Danish "no".

The faltering recovery

Britain's stuttering economic performance presents a puzzling picture, writes **Peter Norman**

A hard slog ahead

Rarely has the state of the UK economy been so difficult to assess.

Official statistics over the past fortnight have provided some hope that manufacturing activity is gathering strength and that the rise in unemployment may be over the worst. But it is too soon to declare that the UK's longest post-war recession has ended.

Where once Mr Norman Lamont, the chancellor, might have spied the "green shoots" of recovery, he now warns that years of hard graft will be required to bring the economy up to the standards of France, which he sees as a yardstick for UK economic achievement.

A cynic might say that the change in rhetoric reflects no more than the transformation on April 9 of the government from one seeking election to one with a secure majority for parliament's full five-year life.

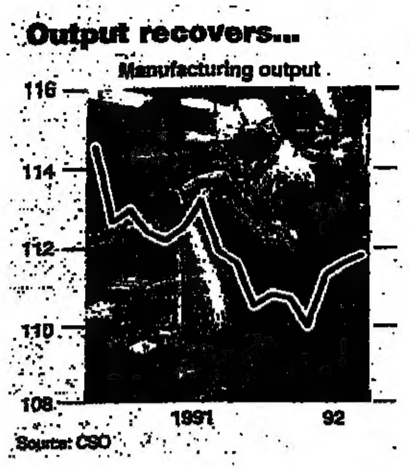
But there is a genuine puzzle surrounding Britain's economic performance. Consumer demand – the one essential ingredient for a self-sustaining recovery – is notable by its absence. Yet it is difficult to see what the government can do about this without radically changing policy.

There has been some good news in recent weeks. Manufacturing output rose 1 per cent in the three months to the end of April compared with the previous three months. The 21,300 increase in seasonally adjusted unemployment in May was only two-thirds the average monthly rise during the past six months. Similarly, last month's growth in bank and building *society lending* – at a seasonally adjusted £3bn – was above the £2.4bn monthly average of the previous half year.

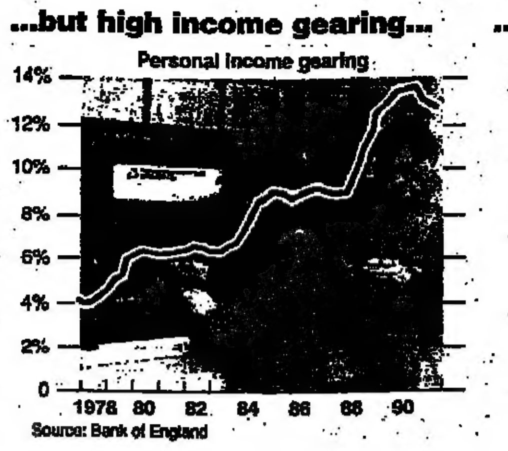
Looking ahead to the medium term, the government can draw comfort from the trend in prices. Although May's annual rate of retail price inflation was unchanged at 4.3 per cent, the latest indices for industrial producer prices, average earnings, unit labour cost growth and retail price inflation excluding mortgage interest payments all point downwards. Average weekly earnings rose by an underlying 7 per cent in April, *the lowest annual rate* for 25 years. With pay settlements hovering around the inflation rate, annual earnings growth seems certain to fall further.

But such news, while encouraging for Britain's future competitiveness, points to a squeeze on consumers' disposable incomes and has added to uncertainty about consumer demand. The latest retail sales figures, showing no revival of trading volumes in April and May compared with the first three *months of the year*, have severely dented hopes that the Tory election victory might presage a consumer spending surge. Instead they raise questions about the durability of the past three months' recovery in manufacturing output.

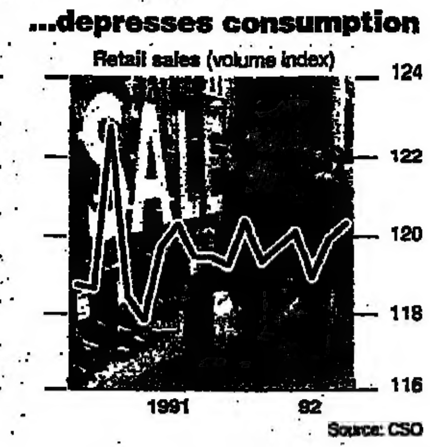
Output recovers...



...but high income gearing...



...depresses consumption



Professor Douglas McWilliams, the Confederation of British Industry's economic adviser, warns that the increase in manufacturing production may simply reflect an end to heavy destocking. "We *will only get a sustainable* recovery when spending comes back into fashion and we are not there yet," he says.

Debt is a main cause of this uncertainty. The economic upsurge in the late 1980s was fuelled by an unprecedented increase in consumer indebtedness as borrowing rose from about 6 per cent of personal disposable income at the beginning of the decade to 17 per cent by the peak of the boom in 1988. Financial sector deregulation *combined with* economic growth to set in train a sharp increase in mortgage lending, rising house prices and the withdrawal of equity from the housing market by homeowners who traded up. In the process, the ratio of personal debt to personal disposable income doubled to 114 per cent in 1990 from 57 per cent 10 years earlier.

In spite of a fall in bank base rates from 15 per cent to 10 per cent over the past 20 months, *the debt burden still weighs* heavily on Britain's households. As the chart shows, there has been little decline in the personal sector's gross income gearing ratio, which measures the gross interest payments of households as a percentage of disposable income. At 13 per cent at the end of last year, the ratio was close to its 1990 high of nearly 14 per cent, three times the level of the late 1970s, and 50 per cent higher than between 1984 and 1988 when the borrowing binge was at its height.

Some senior policymakers believe Mr John Major, when chancellor, may have made a mistake by keeping bank base rates at 15 per cent for a full *year to October 1990*. That year of extreme rigour pushed inflation down rapidly from its 10.9 per cent peak in October 1990. But it may also have sharply reduced the inclination of the middle classes to borrow.

Falling house prices and rising unemployment have added to the scars inflicted by the credit squeeze of the late 1980s, particularly in the south. House repossessions, nearly 75,000 throughout the UK last year, are the most emotionally charged element of the misery afflicting Britain's biggest economic region. But rising unemployment is also curbing demand. The Unemployment Unit, an independent research body, reported this week that unemployment in the south-east reached a post-second world war record last month.

The government's options for tackling these problems are limited indeed. While the US has cut short term interest rates to the lowest levels for a generation and seems now to be recovering from recession, the UK is tied by the rules of the European Monetary System. The strength of the D-Mark against sterling since the Danish referendum vote earlier this month against the Maastricht Treaty has underscored Britain's limited capacity for bringing interest rates below German levels. German rates – exemplified by the Bundesbank's 9.75 per cent Lombard rate – will stay high *so long as Germany is* wrestling with the inflationary consequences of unification.

Mr Lamont is making a virtue out of necessity and using Britain's membership of the exchange rate mechanism to squeeze inflation further with the aim of matching or bettering Japan's 2 per cent. Once this is achieved, the way may be open for stronger growth.

But achieving such low inflation takes time and sacrifice. In the 1970s West Germany went through a bout of inflation, recession and disinflation similar to the UK's recent experience. The economy afterwards lapsed into sub-standard growth, known then as the "corrugated iron business cycle".

The chancellor admires France's record. But while the tight monetary and fiscal policies initiated in 1983 have produced inflation below German levels, France's unemployment rate is still close to 10 per cent. All the signs are that Britain faces a similar hard slog.

Season sans spice

John Thornhill on this year's sober social calendar

The champagne corks will be popping as usual at social events throughout the summer, but already it is clear that much of the fizz has gone out of the Season.

The social whirl of summer balls, Ascot, Wimbledon, Henley, Glyndebourne, Glorious Goodwood and Cowes, which has entertained the idle rich for generations, has been unable to escape the recession.

The signs of new social austerity are plentiful. Pembroke College, Cambridge, cancelled its summer ball this year and only five colleges at Oxford University are staging events, compared with twice that number a year ago. Paid attendance was down at the Epsom Derby. Black-market ticket prices at this week's Ascot race meeting are sharply lower than last year's. And even Glyndebourne has been unable to sell returned tickets for its opera season.

Companies have cut entertainment expenses heavily, threatening the viability of some of the peripheral events and resulting in a rash of bankruptcies among corporate hospitality agencies.

"Every event has suffered a downturn in commercial sponsorship which is perfectly understandable in the current climate," says Mr Richard Goddard, secretary of the Henley Royal Regatta.

He explains: "It is invidious to be seen to be conspicuously entertaining if your company is not doing terribly well. My view is that this will be the worst year for a long time. It will be a little worse than last year which in turn was a lot worse than the year before."

In spite of this gloom, true aficionados have remained loyal and ensured the Season has remained on its feet. As Mr Peter Wallis, a consultant at the SRU marketing group, says: "Many of these events were on financial steroids in the 1980s. It is quite amazing that they have not fallen further."

The premier social and sporting events are reporting continued support from long-standing devotees. They, as opposed to beneficiaries of corporate hospitality tents, are likely to seem more prominent this year.

It seems, perhaps, appropriate that after 12 years without success, the Queen returned to the winners' enclosure at Ascot when her horse, Colour Sergeant, won the Royal Hunt Cup this week.

At Wimbledon, where the first serve is tossed up on Monday, supporters have also remained loyal. The All England tennis club reports that its 46 official hospitality marquees, which cost £12,500 for three days and include daily tickets for 35 to 40 guests, have been fully booked, mostly by long-established backers of the championship. By contrast, unofficial party bookings organised by outside agents are expected to suffer.

There is a similar tale at Henley, which the corporate hospitality agents whisper is more vulnerable to recession than most events because of the lesser appeal of rowing. Mr Goddard says: "Support from the core of people who are traditional supporters of the regatta has not diminished." The regatta still boasts 6,000 members of its Stewards' Enclosure and has a waiting list of 1,000. Only 32 new members were admitted from the list last year. Its official corporate hospitality income is set at a fixed level with an outside agent.

Mr Goddard suggests it was the host of peripheral events that emerged "up the back alleys of Henley nowhere near the river" that have suffered most. "There was a great swell of popular interest in the regatta and people came along because it was a jolly. That has gone and quite right too," he says.

While people such as Mr Goddard may welcome the retreat of fringe activities which threatened to swamp the Season during the 1980s, it was the influx of new money which forced improvements in the organisation of many of its events and may have ensured their preservation.

Mr Wallis of SRU argues that the increasing influence of businessmen helped ensure the Season's financial viability. "The truth is that new money is often more demanding and discriminating than old money. People want the latest and the best," he says.

In the process of modernising the management of the events, the Season largely changed from being a marriage market for debutantes to a sophisticated marketing exercise.

A decade ago the Debrett's guide to the Season had already picked up on the trend, acerbically commenting: "Debrett would be the first to agree that the Season as it is today exists only with the support of the non-traditional members of Society – it is the successful businessmen and industrialists, not the aristocracy, who set the pace."

Debrett may take heart from the mood prevailing in the current season. As one society columnist remarked this week: "Now we are returning to restrained values. By grandeur and stealth, and by the simple fact of still being there, old money has seen off the brassy opposition."

The new money associated with the Season may have evaporated; but clearly the old snobberies are more durable.

Ascot aficionados: Gertrude Shilling and hat designer son David

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Customer protection

From Dr J Rowbottom.

Sir, The assertion by Mr Courtney (Letters, June 13) that water companies are unfairly derided is wholely false.

Only the director-general of water services or, eventually, parliament can protect the customers; most certainly the managers of the monopolies have displayed no such concern.

Furthermore, to pretend that the suppliers of water are running a business is clearly a nonsense since business is about risk, an element almost totally lacking within the water supply industry.

J Rowbottom,
Fairmount,
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Ilkley,
West Yorkshire LS29 0QS

Some honours easier to see than others

From Prof Gordon M Edge.

Sir, I am sorry that Mr Williams of the Water Services Association (Letters, June 17) failed to spot any engineers among the birthday honours list. May I put forward my blue overalls and dirty fingernails for close examination?

Gordon M Edge, CBE,
chief executive officer,
The Generics Group,
King's Court,
Kirkwood Road,
Cambridge CB4 2PF

From Mr Aaron M Fine.

I am a trifle bemused by the Queen's birthday honours and list of working peers.

I suppose I can understand Mr M T Thomasin-Foster, chairman, Consultation Panel on Badgers and Tuberculosis, CBE, but, please, what is meant by Mr J Arkell, consultant, British Invisibles, OBE? Does it have anything to do with H G Wells?

Aaron M Fine,
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Fine, Kaplan and Black,
23rd Floor,
1845 Walnut Street,
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Pennsylvania 19103

Tax free reserve plan would aid Lloyd's members to meet losses

From Mr D H Evers.

Sir, So the hawks on Lloyd's Council have prevailed over the doves; there is to be no assistance to hard-hit Names, but the four-year, rolling stop loss scheme is to be enhanced by making it operate if a Name loses 80 per cent rather than 100 per cent of his limit. This will encourage existing Names, who have been rattling their chains, and may even encourage some new ones to join.

There is, however, one concession that the government should consider granting as soon as possible.

In recent years the Inland Revenue has mounted a concerted attack on Lloyd's syndicates and Names on the basis – totally without foundation as it has turned out – that the syndicates were over-reserved.

So aggressive has been the Inland Revenue's approach that it has disputed or disallowed syndicate reserves as excessive one year, only to find after 12 months that these have proved inadequate. For the Name these disputes have meant delay in the recovery of tax due him at a time when cash is all important.

Also, the results of this prolonged attack have been harmful, since few syndicates have had the reserves in place to cope with a bad year or series of bad years.

The government should introduce immediately a catastrophe reserve for members of Lloyd's: under such a scheme a member could immediately transfer 100 per cent of his profits free of tax to the catastrophe reserve on the basis that it can only be withdrawn to meet losses, that if withdrawn otherwise full tax and higher rate tax are deducted at source.

This should encourage new members, place Lloyd's on an equal footing with its continental competitors, enable the Inland Revenue to transfer some of its staff to more productive work, preserve an institution that earns much foreign exchange and ensure that syndicates have no need to be over-reserved because reserves could be held in future more profitably (for all concerned) in the hands of the member.

David Evers,
chairman,
David Evers,
underwriting agents,
7 St Helen's Place,
Bishopsgate,
London EC3A 6AU

Enterprise that offers answer to improved bus services

From Mr G E Hutchinson.

Sir, Your leader "A better way for buses" (June 15) neatly gave a view of the rights and wrongs of bus service deregulation in its present form, but regrettably jumped to the wrong conclusion when it promoted a franchising solution for London and elsewhere.

As you rightly identify, the 1985 Transport Act put an end to low fares policies in the metropolitan areas and funding *constraints have all but eliminated* free travel for pensioners. It is these two factors, and these alone, which have been largely responsible for the 28 per cent reported decline in patronage to which you referred. As you point out, deregulation can have its downsides, particularly when service supply outstrips demand in some competitive situations. The Bus and Coach Council, the industry's trade association, is recommending to ministers how such problems can be overcome.

Franchising is not the right approach. It produces the inflexibilities of planned route networks designed and updated by remote bureaucracies and usually without the knowledge and experience of bus operators. To suggest that franchising is the answer is tantamount to throwing the baby out with the bath water. In many areas deregulation has given bus passengers more reliable services with better motivated staff working more efficiently. Bus operators actively seek new opportunities to provide what their customers want rather than what the planners say they want. The solution for London lies in encouraging this new spirit of enterprise while ensuring that the worst excesses of deregulation are eliminated.

To achieve this the principal need now is for firm action by both national and local government on two fronts. First, national government needs to insist on higher financial and professional standards for bus operators. Second, national and local government need to take positive steps to improve urban traffic management so that bus services can operate reliably and efficiently. Deregulated bus services in London could demonstrate that true effectiveness if at the same time a network of Red Routes and special bus priorities were implemented.

G E Hutchinson,
chairman and managing director,
Busways Travel Services,
Newcastle Upon Tyne NE1 2EL

A costly pain in the back

From Mr Mervyn Bryn-Jones.

Sir, Your report "How back pain can make you lose your marbles" (Management, June 17) provides sensible advice on how to avoid back troubles and who to go to if you get it.

But in quoting US statistics it ignores how bad the situation has become in the UK in comparison. In 1990, 60m working days were lost in the UK costing the country £5bn, compared with the figures you quote of 83m working days at a cost of £7.6bn in the US.

A conference to discuss this issue is to be held in London in October – not a moment too soon.

Mervyn Bryn-Jones,
executive director,
National Back Pain Association,
31-33 Park Road,
Teddington TW11 0AB

EC must take lead on packaging

From Mr Colin J D Wainwright.

Sir, Europe's chemical distribution industry applauds your leader, "Packaging Mess" (June 16). The recent annual congress of FECC – the organisation representing distributors throughout Europe – expressed identical concerns and passed a resolution calling on the EC to take the lead on the issue through its draft directive.

The consequences of the EC's failure to act could result in packaging regulations throughout member states with differing objectives, timescales, sanctions and compliance costs.

At the very time so much energy and political will is being focused on the single market, it seems ironic this issue is not receiving the attention it deserves.

Colin J D Wainwright,
secretary-general,
Fédération Européenne du Commerce Chimique,
Suffolk House,
George Street,
Croydon CR0 0YN

Fashionable answers

From Ms Anne Simpson.

Sir, I was unaware that leading figures in corporate life were threatening British enterprise in their refusal to follow new quality standards in packaging ("Personality comes into fashion", June 15).

The bizarre outcome of the *Blue Arrow trials now makes* perfect sense in the knowledge that our current director of public prosecutions had earrings which are judged by a leading consultant to be "too small". And many must feel that Frances Heaton of the Takeover Panel is sailing close to the wind by not wearing contrasting clothes and large scale jewellery.

Anne Simpson,
joint managing director,
PIRC,
Challoner House,
19-21 Clerkenwell Close,
London EC1R 0AA

WPP's accounts qualified by auditors

By Maggie Urry

WPP GROUP, Mr Martin Sorrell's marketing services company, has had its accounts qualified by Arthur Andersen, its auditors, because it is in the middle of a £500m refinancing.

The accounts have been prepared on a "going concern" basis. The auditor says that this may cease to be appropriate if WPP cannot arrange adequate financing. The group agreed one refinancing in April 1991, but was now close to breaching banking covenants.

Bankers say that WPP will "hit a brick wall" in July if it cannot raise new cash. WPP's accounts show net debt at the financial year end of £334m but its average debt during the year was £472m. The group's borrowings peak during the summer months before the autumn marketing campaigns get going.

There is a small loan note due for repayment shortly, and WPP has a big interest payment to meet in July. Also the group has to pay up to £16.5m in cash in 1992 to cover earn-outs on earlier acquisitions.

WPP's 28 banks have a deadline of June 30 to agree refinancing proposals, which must also be approved by shareholders. The proposals involve a £150m issue of new preference shares, convertible directly into ordinary shares, which the banks would subscribe for at 60p a share. The shares closed yesterday at 48p, down 1p.

The issue would give the banks more than 50 per cent of the equity, unless shareholders subscribed for the shares through a clawback deal.

The proceeds would be used to repay bank borrowings. The banks would also put up £80m of new cash and extend the term of a £180m revolving credit from 1993 to 1997.

The refinancing plan also involves converting existing preference shares into ordinary shares. Some holders of the preference shares, which were issued when WPP took over the Ogilvy Group in 1989, have appeared reluctant to accept the terms, believing they do not give adequate compensation.

WPP's advisers have been making presentations to preference holders, saying that they would be worse off under any circumstances other than the proposal. One banker said:

Ashley Ashwood

Martin Sorrell: could hit brick wall in July without cash

"There are negative shareholders funds and £500m of debt. Who do they think is running the company?"

The advisers also say that preference shareholders will do better than similarly placed investors in other recent refinancing packages. The preference shares would be converted into ordinary shares at four times the original conversion rate, giving each preference share 0.588 of an ordinary share. The preference shares closed at 36p, up 1p, yesterday implying a price for the ordinary of 61.2p.

Preference shareholders at present account for 22.9 per cent of the equity, on the basis of the existing conversion terms, and allowing for shares to be issued through earn-outs at an assumed 60p share price. This would rise to 26.1 per cent if all the proposals went through, and no shareholders took up the clawback offer.

WPP's advisers are warning preference holders that under any other solution their shares would probably be worthless.

The accounts show that the group's maximum liability to earn-outs is £70.2m over the next five years. Of this £31.3m is payable in shares, the rest in cash. At yesterday's closing share price WPP's market value is £26.2m. Thus, at that price, satisfying the part of the earn-out liability due in shares would involve more than doubling the existing ordinary share capital.

The effect of the earn-outs is demonstrated in the accounts which show two employees, Mr Edward Calesa and Mr Thomas Ferguson, each holding stakes of more than 3 per cent.

The accounts also reveal that Mr Sorrell's emoluments rose by £1,000 to £508,000 after he waived £145,000 (£93,000) of his entitlement. He received no pension contributions.

See Lex

Duggan's resignation marks change of direction for Cabra

By Angus Foster

MR JOHN DUGGAN has resigned as chairman and chief executive of Cabra Estates, the heavily-borrowed property company which owns Stamford Bridge and Craven Cottage, homes to Chelsea and Fulham football clubs.

Mr Eoin Cotter, group financial director, has been appointed group chief executive. He said Mr Duggan's resignation marked a change of direction for Cabra. "It's now a time for belt tightening and taking a different profile," he said.

Mr Duggan had come under mounting pressure to complete agreements with the two clubs which were seen as central to Cabra's survival.

But relations had become acrimonious, and Fulham and Cabra have been locked in a legal wrangle all week about a planning inquiry into Craven Cottage's re-development.

Mr Duggan's departure could speed up completion of an agreement in principal for Cabra to sell Stamford Bridge to Chelsea and reduce its debts by about £13m to £40m.

Cabra announced yesterday that completion with Chelsea "is anticipated in the near future", the most positive statement on the state of negotiations for some time.

An adviser close to the discussions said various legal obstacles remained but the outlook was now positive.

Cabra's legal argument with Fulham remains unresolved, however. Fulham yesterday won a court declaration stating it could give evidence to a planning appeal investigating Cabra's re-development of Craven Cottage.

Fulham had earlier agreed with Cabra it would not jeopardise those plans.

However, Cabra has pledged to appeal against the declaration and the planning appeal was yesterday adjourned until next month.

Overconfident GPA wanted advisers to increase share offer

By Roland Rudd

GPA GROUP, the aircraft lessor, was so confident that its aborted flotation would be oversubscribed that it pressed its advisers to announce an increase in the size of its global offer from 80m to 95m shares just 10 days before they were due to be traded.

Nomura International, which acted as global co-ordinator, yesterday confirmed that the company wanted the advisers to announce that 15m more shares had been issued.

But the advisers refused, arguing that demand would not justify such an increase.

Instead, they agreed to fix the maximum amount of shares on offer at 85m which was published with the listing particulars on June 8.

The increase was cited at the time by GPA as evidence of strong demand for its stock.

Mr Tim Pettee, vice-president of Alliance Capital, which manages about $60bn (£32.4bn) of pension and mutual fund assets in the US, said: "When I read that the issue had been increased to 85m shares I could not believe it. It was simply not going that well to justify any increase."

The issue was aborted on Thursday after tenders for only 50m shares, predominantly from retail investors, were received.

Two of GPA's advisers yesterday said they felt the hype surrounding the announcement was "totally unjustified" and gave a "misleading impression that demand was stronger that it was.

Another explained that the group was obliged by the London Stock Exchange to say what the maximum amount of shares was on offer.

While the prospectus, issued on May 14, said the group planned to issue up to 80m, the figure was never binding.

"When we agreed that the maximum amount of shares on offer would be 85m it should never have been interpreted as evidence that demand was strong", said one GPA investment banker.

"The company had always said at the time of the prospectus the final amount of shares on offer maybe more than 80m."

A spokesman for GPA said: "The advisers advised us on how many shares should be on offer and they should stand by their advice."

GPA's advisers, which also include Goldman Sachs and Merrill Lynch in the US and Schroders and BZW in the UK, have forfeited their 4 per cent success fee worth around $32m.

The advisers only received their expenses, totalling $16m.

Enterprise Oil $150m preference issue

By Neil Buckley

ENTERPRISE Oil, the independent UK oil producer, said yesterday that it had raised $150m (£81m) via the issue of fixed-rate US dollar preference shares.

The company gained shareholders' approval last month to allow it to issue up to $300m of the shares. It initially intended to offer $100m, but this was raised to $150m in response to investor demand.

Mr Andrew Shilson, treasurer, said an over-option facility of up to 15 per cent could boost the final size of the issue to a maximum of $172m.

The funds will be used for general corporate purposes and for its long-term investment programme – particularly in Europe and the Far East.

The shares will be listed on the New York Stock Exchange and were priced to yield an annual net dividend of 7.88 per cent, equivalent to a gross yield of 10.5 per cent.

Enterprise is the first UK non-bank company to raise equity capital through preference shares in the US.

Preference shares pay a fixed coupon like a bond, but rank below all debt holders in the event of the company being wound up.

● Aviva Petroleum, the US-based but London-quoted oil company, said yesterday that it had re-scheduled its term loan with the Royal Bank of Scotland and converted interest due to the bank of $1.17m into ordinary shares at 58p each. It is also selling its 70 per cent holding in Aviva Petroleum Canada to Gulf USA for $2.5m.

Aviva said the moves solved the company's short-term cash problems and would help meet development costs in Colombia.

Claremont in £27m expansion

By Angus Foster

CLAREMONT Garment (Holdings), which last year demerged from Alexon, the women's wear retailer, is set to become one of the top six women's clothing suppliers to Marks and Spencer following its acquisition of rival supplier J&J Fashions.

Claremont is paying £27m for J&J, a private company. Some £16.5m of the consideration will be paid in cash and convertible loan notes to J&J's founders, Jennifer and Ian Rosenburg. Claremont will also take on £10.5m of J&J's debts.

To finance the purchase and pay back some of the enlarged group's borrowings Claremont is calling for £22.4m via a 2-for-5 rights issue at 205p.

The timing of the acquisition was welcomed by analysts and the company's shares closed down only 1p at 255p.

Mr Peter Wiegand, chairman, said the combined group would supply about 8 per cent of M and S's ladies' clothing.

"This gives us the flexibility to supply Marks and Spencer over a range of ladies wear. They know about the deal and are pleased to see us do it," he said.

Claremont, which is based in County Durham, is stronger on classic designs with emphasis on blouses, suits and children's wear.

J&J is more fashion-orientated and mainly supplies dresses, skirts and leisure wear.

Nearly 93 per cent of the combined group's sales of £108m will be supplied to Marks and Spencer.

"It's a very exciting prospect for us. It's a good fit," Mr Wiegand said.

Claremont made pre-tax profits of £6.2m from turnover of £47.8m in the eleven months to December 28. That compared with a pre-tax loss of £300,000 from sales of £55.8m for J&J last year.

Mr Wiegand said the expanded group's gearing, taking the £9m of convertible loan notes as debt, would increase to 25-30 per cent from Claremont's present level of 15 per cent.

The acquisition would be "broadly earnings neutral" this year, but would contribute next, the company said.

Mrs Rosenburg will join Claremont as an executive director with a two-year service contract at £100,000 per year.

Claremont said it expected some benefits from merging the companies, although there would be £1.5m to £2m of rationalisation costs in the next 18 months.

Peter Wiegand – an exciting prospect

Lynx ousting cost £131,000

THE COST of the boardroom coup in February which ousted the chairman of Lynx Holdings, the Sheffield-based leisure and computer services company, was £131,000.

That was the compensation plus associated costs paid to Mr Stephen Hinchcliffe and two other executive directors, Mr Andrew Hartley and Mr Chris Harrison, who resigned at the same time.

The compensation was revealed when Lynx announced a pre-tax loss of £291,000 for the six months to March 31, against profits of £105,000. The £131,000 compensation was taken as an exceptional charge.

Since the end of the period the group had moved back into profit thanks to increased sales and reduced costs, particularly at its head office.

The shares of this USM-quoted company rose 3p after announcement to close at 31p.

In the first half turnover advanced by 83 per cent to £3.2m (£1.75m). Losses per share emerged at 2p (earnings 1.5p). The interim dividend is being halved to 0.25p (0.5p).

Label printing side behind Tinsley Robor's £0.58m loss

By Peter Pearse

TINSLEY ROBOR, the specialist printing and packaging company, continued to run up losses in the second six months of 1991-92 and is omitting the dividend for the year.

Shares in the company remained unchanged at 8p.

Wace, the pre-press group, has a 19.7 per cent stake in Tinsley – the acquisition of which is still being investigated by the DTI. Mr John Rose, TR's chairman, said: "It is not a brake on the group."

He pointed out, nonetheless, that it was "a great disappointment to have to report unsatisfactory results again".

Pre-tax profits of £335,000 for 1990-91 turned into losses of £581,000 for the year to end-March and were struck on turnover slightly down from £24.2m to £23.5m. However, Mr Rose added that second-half turnover of £12.7m was up on the first half's £10.8m. Second-half losses were cut from £398,000 to £183,000, from which he drew comfort.

Mr Rose said that Howards Printers, the label printing company, was the main source of group losses in both halves. But he felt that the business was worth keeping, "in the best interests of shareholders", because he was confident that "what has been done in the past 18 months will bear fruit".

He was not too concerned by the £6.7m borrowings (giving gearing of 77 per cent) at the year-end. Interest payable fell to £860,000 (£1m).

The group's main market continues to be the music industry. However, Mr Rose thought it likely that the current year would be the last that Tinsley would produce record sleeves "in any material quantity", though they carry more value per unit than CDs and cassettes.

The group increased its share in the growing CD market, and its variously packaged formats. Volumes in the music industry generally declined 5 per cent in the January to March quarter.

On the commercial side, where a large proportion of the work is promotional, "many customers had delayed or scrapped projects", Mr Rose said.

Losses per share were 2.4p (earnings 0.9p). Last year Tinsley paid a total dividend of 1p via a final of 0.25p.

Planet Hollywood goes on release in London's Trocadero

By Peggy Hollinger

THE BRITISH film industry may be as sick as a parrot, but Planet Hollywood is alive and well and plans a landing in London.

Robin Power, the dentist cum property baron, yesterday announced that his Power Corporation had signed the US restaurant group as the latest tenants in the Trocadero Centre site in London's Piccadilly Circus.

The 20,000 sq ft restaurant – to open in December – is part of a chain in which Hollywood hardmen Sylvester Stallone, Arnold Schwarzenegger, and Bruce Willis are minority investors.

It will come complete with a 90-seat cinema designed to appeal to leading movie moguls and a glamour set anxious to show their latest wares, while dining on down home fare of the Californian persuasion.

Planet Hollywood said the restaurant would be "dripping" with Hollywood memorabilia. Diners with strong stomachs would be able to watch Hollywood's 100 most famous punch-ups, while romantics could enjoy the 100 greatest cinema clinches on movie screens around the restaurant. The total cost of fitting out the Planet Hollywood set would run to about £5m.

For Power, the deal at an initial £32.50 a sq ft adds yet another string to its Trocadero bow. Mr Nick Orme, Power managing director, said some 350,000 sq ft of the 440,000 sq ft available was now let.

Planet Hollywood in the US is embroiled in an epic battle with Peter Morton, co-founder of Hard Rock Cafe.

Mr Morton claims $1.4bn in damages from Planet Hollywood and Rank Organisation, for alleged infringement of trade marks, theft of trade secrets and unfair competition.

BA Holidays 29% ahead at £2.7m

British Airways Holidays, a subsidiary of British Airways, returned profits of £2.7m pre-tax for the year to end-March, an improvement of 29 per cent over 1990-91's £2.1m.

The directors yesterday forecast a rise in profits to about £3m for the current year.

German strikes hit Caldwell Invs

Caldwell Investments, the USM-quoted textile company, suffered a fall in pre-tax profits from £152,600 to £31,600 in the six months to April 30.

Mr Stanley Wootliff, the chairman, said that strikes in Germany, where the company has a subsidiary, had an adverse effect on second quarter turnover and profits after what had been an encouraging start.

However, the forward order position was good.

Turnover declined to £1.96m (£2.47m) while expenses rose to £311,800 (£266,600) and interest charges to £31,900 (£10,100).

Earnings per share fell from 1.4p to 0.3p.

Mr Wootliff said that steady progress had been made in both establishing a Romanian manufacturing facility and developing trade there. Efforts to establish UK-based trading activities were continuing.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	288	257	Brazilian Inv Tst Units	257		-	-	-	-
-	F.P.	-	4	2	Brent Walker Wts to Sub.	3		-	-	-	-
-	F.P.	-	32	31	Dwyer A	31		-	-	-	-
-	F.P.	-	106	103	Grosvenor Inns	103		H4.0	-	5.2	-
75	F.P.	-	90	81	♦Hughes (T.J.)	81		W2.25	2.2	3.7	16.7
110	F.P.	-	155	143	Industrial Control Servs	150		R3.6	2.0	3.2	16.9
£10½	F.P.	-	£12¼	£10½	Latin Am Inc & Appr. 1c	£10½		-	-	-	-
-	F.P.	-	41	34½	M & G Recovery Inc.	39½	-1	F3.75	-	12.7	-
-	F.P.	-	25½	12¼	Do. Capital	23¼	-½	-	-	-	-
-	F.P.	-	65	46½	Do. Geared Units	63½	-1	F3.75	-	7.9	-
-	F.P.	-	122	96	Do. Package Units	121	-1	F3.75	-	4.1	-
-	F.P.	-	11	4	Multitrust Warrants	11		-	-	-	-
$122	F.P.	-	138	135	Vega	135		L2.29	1.9	2.3	20.3
-	F.P.	-	26½	22½	Welpac (RFD)	24		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	12p	
-	F.P.	-	12p	5p	Do.8¼pc 3rd Non-Cum Cnv Prf 2007/10	6p	
-	F.P.	-	100¼p	100¼p	Caspen Oil 11% Cnv ULS 94/97	100¼p	
100p	F.P.	-	106p	102½p	Commercial Union 8¾pc Cm Irrd Pf	106p	+¼
-	F.P.	-	59¼p	48½p	M & G Recovery Zero Div Prf 1p	58¼p	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
285	Nil	9/7	64pm	29pm	BICC	40pm	+5
200	Nil	22/7	41pm	15½pm	Blue Circle	16pm	-2½
230	Nil	30/6	45pm	30pm	EMAP	38pm	+1
14	Nil	16/7	4pm	1¼pm	Eadie	1¼pm	
43	Nil	7/7	18pm	15pm	♦Essex Furniture 5p	18pm	
7/757	Nil	19/6	¼pm	¼pm	Falcrum Inv. Trust Inc.	¼pm	
75	Nil	21/7	15pm	1½pm	Marshalls	1½pm	
280	Nil	24/6	228pm	84pm	♦Proteus Intl	9pm	-4
15	Nil	22/7	9pm	1½pm	♦TLS Range	1½pm	-2½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‖ Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 8
- Last Dealings June 19
- Last Declarations Sept. 3
- For settlement Sept. 14

3-month call rate indications are shown on page 11.

Calls in Amstrad, Enterprise Computer, Gold Mines Kalgoorlie Ord., Pilkington, Premier Cons., Proteus Intl., Psion, Rainers and Tarmac. Double (Put and call) in Automated Security.

NEWS DIGEST

Ryan Hotels falls I£1.2m into the red

DOUBLED INTEREST charges and "unfavourable market conditions" led to increased pre-tax losses of I£1.19m (£1.09m) at Ryan Hotels for the six months to April 30. Last time losses amounted to I£509,000.

Interest payments increased to I£1.08m (I£533,000). Losses per share totalled 1.93p (1.11p) but the interim dividend is being held at 0.5p.

The Dublin-based hotels operator increased turnover to I£8.38m (I£7.02m) mainly because of the inclusion of Carat Hotel and the opening of the Killarney Ryan in winter months.

The company said cost cutting exercises had been introduced throughout the group and significant reductions had already been achieved. The savings would not be fully reflected until the first half next year as the associated costs were being charged as they occurred.

Henderson Strata asset value rises

Net asset value per ordinary share of Henderson Strata Investments amounted to 185.6p at end-April assuming full subscription from outstanding warrants. That compared with 185.4p six months ago and with 166.6p at April 30 1991.

Net asset value of the warrants rose from 66.6p to 86.6p over the year to April 30.

Attributable revenue for the six months to end-April totalled £56,532 (£67,995), equal to earnings of 0.37p (0.45p).

Jessups acquires Ford main dealer

Jessups, the Essex-based motor dealer, is acquiring all the issued share capital of Clarkes, a Ford main dealership based in Bristol.

Consideration will be satisfied by an issue of 767,532 new ordinary Jessup shares of which 761,839 will be placed on the vendors' behalf with institutional investors at 77p each in return for £586,000 in cash.

For 1991 Clarkes' pre-tax loss was £215,000 on turnover of £13.3m. Its net assets at December 31, including associated and other indebtedness which will be repaid to Clarkes by the principal vendors, amounted to £1.05m.

Total Systems sharply higher

Against the backdrop of a tough trading environment Total Systems, the USM-quoted computer services group, achieved a rise in pre-tax profits from £102,768 to £756,880 for the year to March 31.

Turnover expanded to £2.8m (£2.04m) and on the back of a rise in earnings to 5.11p (0.74p) final dividends are being resumed via a 1.5p payment giving a total of 2.25p (nil).

The shares closed 8p higher at 52p after touching 58p earlier in the day.

Bankers Investment Trust assets rise

Net asset value per ordinary share of the Bankers Investment Trust stood at 131.8p at April 30. That compared with 123.9p six months earlier and with 116.6p a year ago.

Available revenue for the half year to end-April improved to £2.67m (£2.39m), equal to earnings of 1.71p (1.53p). A second interim dividend of 0.86p (0.8p) makes 1.72p (1.6p) to date.

Grainger falls and warns on outlook

Profits before tax of Grainger Trust, the property investor and trader, fell from £1.23m to £733,000 for the six months ended March 31.

The directors said they did not anticipate a better than break-even result in the second half and warned that full year profits were unlikely to exceed those of the opening six months – pre-tax profits for the 1990-91 year totalled £1.37m.

First half turnover slipped to £16.97m (£20.07m). Interest took £1.27m less at £6.9m and earnings emerged at 2.5p (4.1p) per share. The interim dividend is a same-again 1.2p.

FT Gold Mines Index changes

Following the cancellation of Elsburg's London Stock Exchange listing yesterday, the stock has been removed from the FT Gold Mines Index and replaced in the index by Randfontein.

Interest costs leave James Crean lower

James Crean, the Dublin-based food, household goods and industrial equipment wholesaler, has released its results for 1991.

The figures had been delayed so that certain matters relating to the affairs of International Aircraft Services – in which James Crean increased its stake to 38 per cent early in 1991 – could be clarified.

This has resulted in the adoption of equity accounting for the company's interest in IAS. James Crean's share of the IAS result for 1991 is a net positive contribution of I£554,000 and for reasons of prudence this has not been taken into the accounts.

In spite of a significant increase in group turnover from I£179.7m to I£208.7m, pre-tax profits for the year declined by more than I£1m to I£18.5m (£16.9m).

However, the company said comparisons were distorted by the investments in Valley Fresh Foods in California and Egidius Janssen in Holland in 1990, and by the fact that the results for Valley Fresh had been consolidated in the 1991 accounts.

The directors said increases in profits before tax and interest had been achieved in all core areas, except for the electrical business in the UK.

The interest charge surged to I£6.04m (I£2.74m) and group net borrowing at the year-end stood at I£57.4m, against I£50.6m.

A final dividend of 10.4765p is proposed, maintaining the total for the year at 18.3415p. The dividend is twice covered by earnings per share of 36.7p (45.1p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bankers Inv Tst ......int	0.86☆	Aug 31	0.8	-	3.2
Grainger Trust ......int	1.2	July 27	1.2	-	5.25
Lynx § ......int	0.25 †	Aug 3	0.5	-	1.25
Ryan Hotels ......int	0.5♣	Sept 16	0.5	-	1
Tinsley Robor ......fin	nil	-	0.25	nil	1
Total Systems § ......fin	1.5	Aug 10	nil	2.25	nil

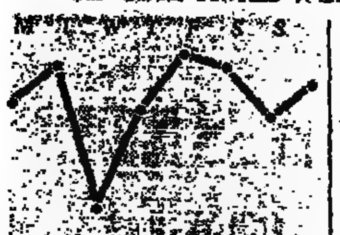
Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆Second interim, making 1.72p (1.6p) to date. ♣Irish pence.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.66	18.61	19.74
0100	19.68	17.27	17.27
0130	19.66	17.23	17.23
0200	19.68	17.25	17.25
0230	19.68	17.25	17.25
0300	19.66	17.24	17.24
0330	19.68	17.22	17.22
0400	17.58	17.22	17.22
0430	17.58	17.22	17.22
0500	17.50	17.22	17.22
0530	17.50	18.29	19.44
0600	17.54	18.29	19.43
0630	17.45	18.29	19.46
0700	17.81	18.29	19.81
0730	19.48	19.36	20.64
0800	22.44	19.78	21.00
0830	24.01	21.78	23.06
0900	25.57	22.09	23.36
0930	26.49	26.16	27.69
1000	26.49	27.58	29.04
1030	26.49	27.58	29.04
1100	26.49	22.09	23.39
1130	26.49	23.92	25.21
1200	26.49	23.92	26.22
1230	26.49	22.09	23.33
1300	26.11	21.71	22.93
1330	25.57	20.43	21.60
1400	24.01	20.13	21.29
1430	23.54	17.35	17.35
1500	22.44	17.29	17.29
1530	22.44	17.31	17.31
1600	22.44	17.34	17.34
1630	23.54	17.37	17.37
1700	23.32	20.13	21.29
1730	26.49	24.00	25.27
1800	26.49	24.00	25.27
1830	26.49	24.00	25.29
1900	26.46	20.43	21.62
1930	22.83	20.13	21.31
2000	22.45	19.38	20.53
2030	22.45	19.38	20.56
2100	20.95	17.37	17.37
2130	22.45	18.80	19.95
2200	26.50	20.13	21.30
2230	26.50	20.13	21.30
2300	26.50	19.39	20.54
2330	26.49	18.80	19.94
2400	19.66	18.40	19.54

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, so £10.00/MWh becomes 1.000p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision and correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are still capable of revision.

NGC Settlements Limited



ECONOMIC DIARY

TODAY: European Community foreign ministers meet in Luxembourg to prepare for forthcoming summit in Lisbon.

MONDAY: Balance of payments current account and overseas trade figures (May). Food facts (first quarter). Mr P.V.Narashima Rao, prime minister of India, visits Tokyo (until June 26). Regional Asia-Pacific roundtable security conference organised by the Institute of International and Strategic Studies in Kuala Lumpur (until June 25). Financial Times holds conferences "World Gold" in Montreux and "The Allocation of Radio Spectrum" in London.

TUESDAY: Israeli elections. Slovak National Council convenes in Bratislava.

WEDNESDAY: Building societies monthly figures (May). Gross domestic product (first quarter) (including analyses of expenditure, income and output components). New construction orders (April – provisional). US durable goods (May). National Economic Development Office presents construction forecasts to 1994.

THURSDAY: Capital expenditure and stockbuilding (first quarter – revised). Energy trends (April). Insurance and pensions (fourth quarter). New vehicle registrations (May). US jobless claims; real gross domestic product (first quarter) and import-export price indices (May). Presidents of Argentina, Brazil, Paraguay and Uruguay meet in Andean ski resort to discuss plans for a regional free trade zone (until June 27). Black Sea Economic Co-operation holds inaugural summit. Turkey, Greece, Romania, Bulgaria, Moldova, Ukraine, Russia, Georgia, Armenia and Azerbaijan due to attend. Deadline for Midland Bank investors decision on whether to accept takeover offer from HongKong and Shanghai Bank. The European Policy Forum holds seminar "A Business Agenda for Britain's Presidency of the European Community" in London.

FRIDAY: US personal income (May).

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Jun 19 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Jun 18 Index No.	Wed Jun 17 Index No.	Tue Jun 16 Index No.	Year ago (approx) Index No.	1992 High	1992 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (178)	850.83	+0.2	6.76	5.41	19.18	16.21	848.95	860.57	861.64	822.38	929.04 20/5	739.74 10/1	1038.07 16/7 /87	50.71 13/12/74
2 Building Materials (22)	962.99	+0.3	5.81	5.82	23.12	22.03	960.06	965.86	971.03	1050.17	1121.52 11/5	872.32 10/1	1321.08 16/7 /87	44.27 11/12/74
3 Contracting, Construction (26)	883.61	+0.2	4.03	6.84	52.67	24.60	882.08	891.11	887.82	1243.93	1069.64 11/5	827.89 10/1	1951.50 16/7 /87	71.48 2 /12/74
4 Electricals (8)	2554.80	+0.9	6.75	6.04	19.26	68.82	2532.25	2543.45	2559.73	2346.30	2758.50 22/5	2296.79 2 /1	3040.80 8 /9 /89	84.71 25/6 /62
5 Electronics (29)	1995.80	+0.6	8.01	4.27	15.73	9.02	1983.51	1998.20	2002.72	1733.18	2080.64 13/5	1655.93 13/1	2308.22 19/5 /89	1229.01 8 /10/85
6 Engineering-Aerospace (6)	348.68	-1.3	10.45	7.47	12.10	11.27	353.31	368.13	370.86	424.06	406.10 20/5	313.50 14/2	502.42 13/6 /90	313.50 14/2 /92
7 Engineering-General (44)	534.25	+0.7	7.49	4.46	16.59	9.02	530.38	540.43	542.61	439.38	567.62 20/5	455.80 2 /1	567.62 20/5 /92	339.57 23/1 /91
8 Metals and Metal Forming (8)	339.25	+1.0	0.81	10.20	–	3.54	335.95	342.20	342.49	450.75	379.31 18/5	295.34 10/1	596.67 9 /10/87	49.65 6 /1 /75
9 Motors (14)	360.02	+1.1	7.38	6.53	17.83	10.04	356.12	362.83	363.90	325.31	403.06 21/5	277.78 10/1	411.42 13/10/87	19.91 6 /1 /75
10 Other Industrial Materials (19)	1704.10	-0.3	6.94	4.65	17.35	34.56	1709.62	1814.45	1807.76	1517.34	1906.65 11/5	1495.50 2 /1	1906.65 11/5 /92	277.55 15/1 /81
21 CONSUMER GROUP (187)	1661.57	+1.0	7.35	3.45	16.72	23.58	1645.04	1666.17	1678.40	1461.91	1761.38 11/5	1565.23 8 /4	1761.38 11/5 /92	61.41 13/12/74
22 Brewers and Distillers (24)	2157.83	+0.7	7.78	3.43	15.51	29.32	2142.95	2169.77	2195.93	1798.96	2278.85 11/5	1938.05 8 /4	2278.85 11/5 /92	69.47 13/12/74
25 Food Manufacturing (18)	1252.30	+0.5	8.62	4.20	14.36	23.82	1246.42	1267.26	1277.46	1162.88	1327.80 11/5	1212.43 8 /4	1327.80 11/5 /92	59.67 11/12/74
26 Food Retailing (18)	2940.48	+1.6	8.25	3.10	15.87	44.51	2894.06	2931.10	2900.25	2614.21	2998.16 18/5	2293.80 10/1	2998.16 18/5 /92	54.25 11/12/74
27 Health and Household (24)	3883.59	+1.0	7.10	2.73	16.05	36.33	3845.20	3904.98	3989.94	3531.41	4654.94 14/1	3845.20 18/6	4654.94 14/1 /92	175.38 28/5 /80
29 Hotels and Leisure (20)	1310.75	+1.7	6.04	5.16	21.46	23.50	1289.35	1302.43	1324.66	1279.36	1450.36 13/5	1210.11 2 /1	1845.77 8 /9 /89	54.83 9 /1 /75
30 Media (25)	1592.84	+1.4	6.16	3.29	20.22	25.88	1571.56	1590.08	1595.25	1397.89	1721.09 11/5	1402.70 8 /1	1722.09 11/5 /92	1166.91 16/1 /91
31 Packaging, Paper & Printing (27)	811.57	+1.2	6.35	4.07	19.11	14.29	801.99	815.06	815.46	687.19	875.53 13/5	724.55 2 /1	875.53 13/5 /92	43.46 6 /1 /75
34 Stores (33)	1082.26	+0.8	7.07	3.42	18.68	15.85	1073.19	1081.99	1070.65	893.70	1135.66 27/4	941.79 3 /4	1160.58 29/7 /87	52.63 6 /1 /75
35 Textiles (10)	705.77	+1.3	6.51	4.40	19.39	12.44	696.89	695.74	698.70	553.79	756.70 8 /5	587.29 8 /1	914.52 2 /10/87	62.66 11/12/74
40 OTHER GROUPS (116)	1274.89	+0.8	9.75	5.13	12.80	19.74	1264.67	1278.69	1284.07	1212.17	1359.32 11/5	1140.56 3 /4	1359.32 11/5 /92	58.63 6 /1 /75
41 Business Services (17)	1427.64	+1.1	6.33	3.61	19.43	15.14	1412.02	1431.21	1432.68	1272.62	1511.16 11/5	1233.67 8 /4	1511.16 11/5 /92	892.28 1 /2 /91
42 Chemicals (22)	1475.85	-0.5	7.23	4.94	16.96	31.75	1482.54	1516.38	1516.28	1389.07	1629.99 8 /5	1392.40 10/1	1629.99 8 /5 /92	71.20 1 /12/74
43 Conglomerates (11)	1306.72	+1.7	9.88	7.27	12.64	23.62	1284.65	1314.61	1328.76	1447.06	1509.94 11/5	1249.23 13/2	1819.46 11/8 /89	975.19 10/11/87
44 Transport (14)	2568.71	+1.5	7.97	4.56	15.28	49.58	2530.47	2541.74	2543.14	2192.08	2790.11 20/5	2256.85 8 /4	2790.11 20/5 /92	90.80 29/6 /62
45 Electricity (16)	1315.44	+0.8	14.18	5.24	8.93	17.21	1305.19	1310.85	1311.78	1181.84	1337.99 5 /6	1044.63 7 /4	1337.99 5 /6 /92	994.96 7 /1 /91
46 Telephone Networks (4)	1411.27	+0.5	10.98	4.68	11.87	17.36	1403.88	1419.64	1419.62	1423.56	1505.86 22/5	1274.20 3 /4	1658.67 2 /10/91	517.92 30/11/84
47 Water (10)	2728.54	+1.1	16.18	6.15	6.84	54.92	2697.77	2723.42	2733.37	2248.73	2934.20 11/5	2140.95 8 /4	2934.20 11/5 /92	1820.20 1 /5 /90
48 Miscellaneous (22)	2049.09	+1.1	5.49	4.81	24.39	23.41	2026.85	2025.84	2063.71	1923.37	2167.85 11/5	1770.94 3 /1	2167.85 11/5 /92	60.39 6 /7 /75
49 INDUSTRIAL GROUP (483)	1337.27	+0.8	7.99	4.34	15.60	20.72	1326.70	1343.22	1350.23	1227.44	1427.97 11/5	1231.76 3 /4	1427.97 11/5 /92	59.01 13/12/74
51 Oil & Gas (17)	2085.92	+0.5	7.27	6.82	18.07	63.69	2076.22	2112.26	2138.78	2375.63	2226.66 2 /1	1937.42 3 /4	2528.70 3 /8 /90	87.23 29/5 /62
59 500 SHARE INDEX (500)	1407.97	+0.8	7.92	4.60	15.82	24.01	1397.31	1415.42	1423.89	1325.03	1493.99 11/5	1298.02 3 /4	1493.99 11/5 /92	63.49 13/12/74
61 FINANCIAL GROUP (86)	742.93	+1.1	–	6.11	–	19.80	734.61	748.38	754.23	786.25	802.65 20/5	637.33 3 /4	876.67 13/10/87	55.88 13/12/74
62 Banks (9)	936.62	+1.4	5.15	5.83	30.72	24.58	923.98	942.83	951.78	871.08	1026.34 20/5	790.95 3 /4	1026.34 20/5 /92	62.44 12/12/74
65 Insurance (Life) (6)	1499.04	+0.8	–	5.94	–	44.26	1487.40	1517.62	1535.51	1485.96	1613.38 21/5	1243.61 6 /4	1632.53 4 /9 /91	44.88 2 /1 /75
66 Insurance (Composite) (7)	549.07	+2.5	–	6.34	–	13.46	535.86	546.07	547.06	682.97	564.54 13/5	419.96 8 /4	760.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	879.72	-0.7	8.68	7.42	15.16	29.69	885.98	917.12	922.65	1114.22	1031.35 27/1	879.72 19/6	1399.56 17/7 /87	65.86 16/12/74
68 Merchant Banks (7)	493.13	-0.2	–	4.38	–	11.25	494.03	497.84	499.07	417.72	521.89 22/5	405.18 7 /4	547.59 12/10/87	31.21 7 /1 /75
69 Property (32)	653.75	+0.4	8.96	7.01	15.10	18.82	650.82	656.41	663.63	917.91	799.69 20/1	613.80 8 /4	1398.87 5 /9 /89	56.01 20/4 /65
70 Other Financial (15)	248.00	+0.2	7.32	7.03	18.50	5.32	247.43	250.62	251.40	266.20	271.79 26/5	221.16 7 /4	603.48 16/7 /87	33.29 17/12/74
71 Investment Trusts (69)	1161.98	+0.9	–	3.86	–	18.05	1151.47	1174.38	1190.29	1213.64	1273.08 11/5	1112.66 8 /4	1323.81 4 /1 /90	71.12 13/12/74
99 ALL-SHARE INDEX (835)	1240.12	+0.8	–	4.75	–	22.64	1238.10	1255.19	1263.20	1195.23	1326.36 11/5	1142.45 3 /4	1326.36 11/5 /92	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 18	Jun 17	Jun 16	Jun 15	Jun 12	Year ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX♦	2584.8	+22.1	2590.9	2573.8	2562.7	2598.4	2616.3	2593.6	2603.7	2487.5	2737.8 11/5	2382.7 3 /4	2737.8 11/5 /92	986.9 23/7 /84

FIXED INTEREST

PRICE INDICES	Fri Jun 19	Day's change %	Thu Jun 18	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	122.45	+0.11	122.32	1.79	6.18
2 5-15 years (24)	138.15	+0.12	137.99	2.01	6.89
3 Over 15 years (10)	148.33	+0.02	148.57	1.24	6.33
4 Irredeemables (6)	165.29	+0.05	165.20	1.83	6.35
5 All stocks (64)	135.60	+0.10	135.50	1.86	6.71
Index-Linked					
6 Up to 5 years (2)	173.54	+0.02	173.51	0.85	1.83
7 Over 5 years (10)	152.99	-0.02	153.38	0.64	2.40
8 All stocks (12)	154.63	-0.01	154.97	0.67	2.31
9 Debs & Loans (63)	120.18	-0.08	120.27	2.31	5.55

AVERAGE GROSS REDEMPTION YIELDS		Fri Jun 19	Thu Jun 18	Year ago (approx.)	1992 High	1992 Low
British Government						
1 Low	5 years	8.08	8.08	9.06	9.43 2 /4	7.91 1 /6
2 Coupons	15 years	8.97	8.96	10.11	9.72 1 /4	8.80 1 /6
3 (0%-7¾%)	20 years	8.97	8.96	10.11	9.72 1 /4	8.80 1 /6
4 Medium	5 years	9.17	9.18	10.47	10.28 1 /4	9.07 1 /6
5 Coupons	15 years	9.09	9.09	10.38	9.82 1 /4	8.84 1 /6
6 (8%-10¾%)	20 years	9.08	9.07	10.28	9.76 1 /4	8.81 2 /6
7 High	5 years	9.37	9.39	10.64	10.50 1 /4	9.26 1 /6
8 Coupons	15 years	9.28	9.28	10.52	9.96 1 /4	9.00 22/5
9 (11%-)	20 years	9.24	9.24	10.40	9.86 1 /4	8.95 22/5
10 Irredeemables		9.23	9.23	10.30	9.92 2 /4	9.02 2 /6
Index-Linked						
11 Inflation rate 5%	Up to 5yrs.	3.96	3.95	4.37	4.14 2 /1	3.52 4 /3
12 Inflation rate 5%	Over 5 yrs.	4.33	4.32	4.33	4.60 6 /4	4.27 17/2
13 Inflation rate 10%	Up to 5 yrs.	3.21	3.18	3.42	3.50 2 /1	2.86 4 /3
14 Inflation rate 10%	Over 5 yrs.	4.14	4.13	4.13	4.42 6 /4	4.07 17/2
15 Debs &	5 years	10.55	10.53	11.89	11.51 6 /4	10.30 8 /6
16 Loans	15 years	10.40	10.39	11.68	11.22 6 /4	10.07 1 /6
17	25 years	10.29	10.28	11.50	11.02 6 /4	9.98 1 /6

♦Opening index 2574.8; 9 am 2574.4; 10 am 2577.3; 11 am 2587.1; Noon 2587.2; 1 pm 2587.5; 2 pm 2590.7; 2.30 pm 2588.8; 3 pm 2586.2; 4.10 pm 2584.8; (a) 1.43pm (b) 9.12am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 071-925 2323.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*649)	600	58	79	89	3	11	16
	650	22	47	60	17	29	34
	700	6	23	37	54	60	66
ASDA (*34)	30	4½	7	9	3	4	5
	35	2½	5½	7	5	6½	8
	40	1	3½	5	8½	11	12
Brit. Airways (*266)	260	15	27	33	7	12	17
	280	5½	17	23	19	23	28
	300	2	9	15	36	38	41
SmKl Beecham A (*867)	850	40	70	92	15	33	40
	900	16	45	65	42	57	63
	950	5	27	45	85	90	93
Boots (*453)	420	39	54	62	3	7	12
	460	11	27	36	16	22	25
B.P. (*251)	240	15½	21½	26	3	8	10½
	260	5	11	15	13	18	21
British Steel (*71)	70	4½	7½	9	4	6½	8
	80	1½	4	4½	10	13	15
Bass (*613)	600	26	49	57	9	18	27
	650	5	23	32	41	47	54
C & W (*585)	550	16	36	48	21	28	32
	600	6½	17	27	59	62	64
Courtaulds (*569)	550	29	51	63	7	17	24
	600	6	25	38	37	45	49
Com. Union (*560)	550	15	27	40	12	25	29
	600	2	10	19	53	60	61
Fisons (*238)	220	27	42	50	8	17	25
	240	17	31	38	17	27	35
GKN (*392)	390	16	26	36	11	23	36
	420	4½	13	22	32	42	46
Grand Met. (*475)	475	17	31	–	12	24	–
	500	6½	19	30	29	39	43
I.C.I. (*1215)	1200	45	70	100	17	46	54
	1250	18	47	75	46	76	83
Kingfisher (*530)	500	38	55	68	5½	14	28
	550	8	27	40	26	37	41
Ladbroke (*217)	200	23	30	33	4	6½	11
	220	6½	18	22	10	18	21
Land Secs (*405)	390	21	36	42	4½	10	13
	420	5	18	25	20	24	27
M & S (*336)	330	13	27	33	6½	12	15
	360	3	11	20	27	29	30
Sainsbury (*468)	460	18	36	47	8	15	19
	500	4	15	25	35	38	40
Scot. Trans. (*504)	500	15	28	39	8	18	22
	550	1½	6½	17½	48	51	53
Storehouse (*147)	140	9	15	19	6	9	13
	160	2	7	11	20	20	24
Trafalgar (*114)	110	11	18	21	5½	10	14
	120	6	14	17	10½	17	20
Utd. Biscuits (*358)	330	33	43	48	1½	6	8
	360	11	22	29	9	17	20
Unilever (*940)	900	53	80	95	6	17	24
	950	20	47	67	25	37	43

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit. Aero (*265)	240	40	45	50	7	22	22
	260	27	32	38	17	32	30
	280	17	22	28	28	38	42
BAA (*675)	650	44	68	78	11	18	23
	700	17	40	53	35	42	45
	750	5½	20	31	77	78	79
BAT Inds (*768)	700	80	90	110	7	15	20
	750	40	58	79	24	33	38
	800	16	34	52	57	63	67
BTR (*473)	460	29	37	48	8½	19	22
	500	9	17	29	32	39	43
	550	1½	7	13	79	80	81
Brit. Telecom (*344)	330	21	27	30	8½	12	16
	360	6	12½	17	27	29	31
Cadbury Sch (*472)	460	29	42	53	11	17	22
	500	9½	23	33	33	38	42
Eastern Elec (*276)	260	18	25	30	6½	9	13
	280	7	16	20	20	20	23
Guinness (*579)	550	43	58	72	9	16	19
	600	15	32	44	32	38	42
GEC (*228)	220	6	12	15½	10	15	17
	240	2	6½	8	27	28	30
Hanson (*214)	200	19½	23	27	2½	5½	7½
	220	6	12	15½	10	15	17
LASMO (*193)	180	27	34	41	11	17	19
	200	18	25	31	22	28	30
Lucas Inds (*126)	120	12	17	18	4½	10	12
	130	6½	11	14	10	16	17
P & O (*470)	460	32	40	53	16	30	34
	550	4	9½	18	84	94	95
Pilkington (*137)	130	18	24	26	7	10	11
	140	12	19	22	12	15	17
Prudential (*243)	240	14	20	26	8	13	15
	260	5½	11	17	20	23	27
R.T.Z. (*610)	600	36	52	67	15	28	32
	650	14	28	42	45	55	60
Scot. & New (*460)	460	15	29	37	23	30	32
	500	4	15	23	55	59	61
Tesco (*282)	280	14	22	29	8½	13	15
	300	5½	13	19	20	23	25
Thames Water (*418)	390	38	50	55	4	9	13
	420	17	31	37	14	20	24
Vodafone (*341)	330	26	38	44	9	15	19
	360	11	22	29	26	30	33

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*269)	240	31	37	44	1	3	5½
	260	13	21	30	1½	8	11
	280	1½	9	19	12	19	22
Amstrad (*38)	35	5	8	10	1	3½	5
	40	2	5½	7½	3½	5½	8
	45	1	3½	6	7	9	11
Barclays (*345)	300	47	50	54	1	4	6½
	330	16	24	34	1½	12	16
	360	1	9	19	19	31	34
Blue Circle (*216)	194	24	31	36	1	4	7½
	213	6½	18	24	3	10½	13
	232	1	8½	13	18	22	26
British Gas (*249)	240	10	19	23	1	5	11
	260	1	8½	13½	12	16	22
Dixons (*253)	240	16	22	33	2	11	14
	260	3	12	23	8	20	24
Eurotunnel (*350)	330	25	45	63	5	23	31
	360	5	37	52	23	42	48
Glaxo (*718)	700	18	55	77	6	35	49
	725	5	–	–	18	–	–
Hillsdown (*159)	140	21	26	30	1	5	5½
	160	3	13	17	3	9	13
Lonrho (*79)	70	11	14	18	1	5	5½
	80	2½	8	12	3	7½	10
Midland Bk (*426)	420	9	38	37	6	16	22
	460	1	11	19	38	40	44
National Power (*240)	235	6	13½	–	2	11	–
	255	1	–	–	17	–	–
Reuters (*1108)	1100	18	72	113	12	47	62
	1150	3	48	87	47	75	89
R. Royce (*159)	140	20	24	27	1	3½	5½
	160	2½	10½	15½	4	10½	14
Scottish Power (*181)	180	3	10	11½	2	9½	11
	190	1	5½	7½	10	16½	17
Sears (*91)	90	3	8½	10	3	6	8½
	100	1	4	6½	11	12	14
Forte (*211)	200	13	21	26	2	6	10
	220	2	10	16	11	16	19
Thorn EMI (*830)	819	16	33	–	4	33	–
	850	2	18	36	23	53	57
TSB (*139)	130	11	14	17	1½	8	7
	140	2½	8	13	3½	9	12
Vaal Reefs (*$51)	50	4	6	8	2	5	5½
	60	1	2½	3½	10	11½	12
Wellcome (*924)	900	35	78	112	7	31	50
	950	5	50	84	32	57	78

EURO FT-SE INDEX (*2585)

	2425	2475	2525	2575	2625	2675	2725	2775
CALLS								
Jun	155	104	53½	3½	½	–	–	–
Jul	193	135	93	58	28	13	4	2
Aug	200	–	115	–	54	–	18	–
Sep	213	–	133	–	71	–	32	–
Dec	270	–	195	–	135	–	80	–
Mar	310	–	240	–	170	–	120	–
PUTS								
Jun	½	½	½	½	47½	97½	148	198
Jul	3	7	12	28	51	85	124	172
Aug	13	–	27	–	65	–	126	–
Sep	17	–	37	–	71	–	127	–
Dec	26	–	48	–	83	–	130	–
Mar	43	–	65	–	100	–	140	–

FT-SE INDEX (*2585)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Jun	179	129	78½	28½	½	½	½	½
Jul	207	160	114	73	37	16	5	2
Aug	222	177	135	96	65	40	23	12
Sep	239	196	155	118	86	59	40	25
Dec †	293	–	215	–	148	–	94	–
PUTS								
Jun	½	½	½	½	22½	72½	123	173
Jul	4	5	9	19½	39	70	120	170
Aug	9	13	21	33	53	82	120	170
Sep	14	20	28	42	63	89	124	170
Dec †	26	–	50	–	85	–	140	–

June 19 Total Contracts 35,236
Calls 13,088 Puts 22,148
FT-SE Index Calls 2,670 Puts 9,6[illegible]
Euro FT-SE Calls 803 Puts 1,046
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	**OILS**	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bohm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	5	Eurotunnel	52	Lloyds Bank	52	TSB	11½	Burmah Castrol	48
BAT Inds	66	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	55	FNFC	7	Lucas Inds	12½	Thorn EMI	83	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2½
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	39	NatWest Bank	28	Vickers	15	Tusker Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	**MINES**	
Bowater	50	Glaxo	52	Racal Elect	8½	**PROPERTY**		RTZ	47
Brit Aerospace	36	Grand Met	36	RHM	15	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	28	Hanson	18	Ratners	3	MEPC	28		
Cadburys	36	ICI	65	Reed Intl	44	Mountleigh	1½		

INTERNATIONAL COMPANIES AND FINANCE

Euro Disney plans third French leisure complex

By Alice Rawsthorn in Paris

EURO DISNEY, which has been bombarded by bad publicity since this spring's opening *of its Euro Disneyland theme* park near Paris, has received the French government's *go-ahead to build* a second park and has announced plans for a third complex.

The group, which has been trying to play down press speculation about poor attendance at Euro Disneyland, plans to open the second park at a cost of FFr18bn ($3.38bn) in 1996. This park, which will be close to the existing complex at Marne La Vallée to the west of Paris, will adopt a similar theme to the Disney MGM Studios complex at Disneyworld in Florida by including attrac*tions based on the imagery of* US movies and the Hollywood film studios. The complex will also house Euro Disney's corporate offices.

At one stage Euro Disney had planned to bring forward the schedule for the second park so that it would open in 1995. However, *earlier* this month it announced it was reverting to the original pro*posed opening date of 1996.*

Euro Disney yesterday confirmed that it plans to open a *third park, also at Marne La* Vallée, provisionally scheduled for opening in the year 2000. This park will adopt the futuristic concept of Epcot, the Disney monument to science and technology, in Florida.

Confirmation of plans for the second and third Marne La Vallée parks comes at a time when Euro Disney is anxious to allay concern about the initial response to Euro Disneyland.

Earlier this month the group said 1.5m people had visited the complex, by far the most expensive theme park in Europe, since its opening *on April 12. However, Euro Dis*ney, which has consistently refused to disclose its own internal targets for the park, also admitted that the pattern of attendance had been erratic with troughs during off-peak periods and that the number of visitors from France was lower than originally expected.

Ares-Serono to raise SFr51m by rights issue

By Ian Rodger in Geneva

ARES-SERONO, the Swiss pharmaceuticals group which specialises in human fertility drugs, is raising SFr51.4m ($36.1m) through a one-for-six rights issue to bearer shareholders and a conversion offer to registered shareholders.

The group, 86 per cent con*trolled by the Bertarelli family*, then plans to split both classes of shares on a one for five basis.

The capital restructuring, similar in many respects to those carried out recently by other Swiss companies, has been criticised in some quarters because it will result in a dilution of the value of the bearer shares.

This is because the conversion of some of the Bertarelli family held registered shares to bearer shares will be carried out at the difference in their par values, SFr150 per share, which is well below the difference in their market values.

Mr Hans Thierstein, finance director, pointed out that this option was set when the family *floated shares in the company* on the stock market in 1987.

He also noted that the family had waived its right to participate in the proposed one-for-six rights issue at par.

Aarhus Olie to sell units

By Hilary Barnes in Copenhagen

AARHUS OLIE, the Danish vegetable oils and fats special*ist, is to sell its* protein products division and its Sri Lanka sports shoe manufacturing company as part *of a wide*-ranging reorganisation.

The group is to create a holding company and a separate operational company for the oils and fats business. The reorganisation also involves the resignation of Mr J. Handberg, chief executive, and his co-director Mr I. Pontoppidan. They are to be replaced by Mr John Goodwin and Mr John Poulsen.

The Sri Lankan company to be sold is C. W. Mackie, which *has about 300 employees. No* buyer has yet been was named.

The company's protein products division is being sold to Central Soya of the US which is part of the Italian Ferruzzi Group.

Nestlé bid probe leaves Perrier 'paralysed'

By William Dawkins in Paris

SOURCE PERRIER, the French maker of bubbly mineral water, yesterday said it was in *"paralysis" awaiting the* results of the European Commission's inquiry into the *FFr15.46bn ($2.9bn) bid from* Nestlé, the Swiss food multinational.

Mr Jacques Vincent, Perrier's chairman, told a shareholders' meeting: "It is clear that we are in a vacuum that is dangerous for everyone, including Nestlé."

Earlier this month, the Swiss group revealed that the Commission had serious doubts that the bid might create a duopoly of *Nestlé* and BSN on the French mineral water market. It is contesting *this preliminary finding.*

"Currently, we are living in a kind of paralysis," said Mr Vincent. The Nestlé bid was suspended in March, awaiting the Commission's ruling, expected late next month or early August.

Perrier's turnover rose 5 per cent to FFr3.13bn in the first quarter of this year, reflecting poor mineral water sales in Britain and the US, but growth *in the rest of the world.*

Sales of the Perrier brand in the US and Britain are run*ning at 53 per cent of the level* three years ago, just before the group withdrew its world stocks following the discovery of benzene contamination.

Mr Vincent said the US and UK mineral water markets remain very gloomy. "We don't see any recovery ahead but the situation is not truly catastrophic," he said.

Mineral water sales in France are running at 10 per cent above last year's levels. Outside France, the US and the UK, mineral water sales are up *25 per cent this year.*

First-quarter mineral water sales were virtually static in France at FFr1bn but fell 2 per cent outside France to FFr989m. Cheese sales fell 6 per cent in France to FFr260m but surged 17.5 per cent outside France to FFr602m.

Bank acquisition

GRUPO Espirito Santo, the Portuguese bank, has acquired Banco Industrial del Mediter*raneo from Banco Bilbao Vizcaya*, Reuter reports.

The Portuguese group will *purchase the small Spanish* bank through its Banco Espirito Santo e Commercial de Lisboa, which will take a 55 per cent stake, and Espirito Santo Financial, which will acquire the remainder.

Business ticking along just nicely at SMH

Ian Rodger on the rapid progress still being made by the top Swiss watchmaker

If you believe in companies living through cycles, then you could wonder if SMH, *the Swiss watch group that* developed the phenomenally successful Swatch, is at or *nearing its peak.*

Some telltale signs of hubris were in evidence at this week's *annual press conference at the* group's Longines subsidiary in the Jura mountains.

On tables at the entrance to the conference room were copies of a study by an investment research organisation describing SMH as the best-managed large company in Switzerland.

Nicolas Hayek, the expansive chairman, revealed that 50 securities companies in the UK, Germany and Switzerland had published studies of the group, and he estimated that the finance director and his team were now spending 30 per cent of their time fielding que*ries from investment analysts.*

To judge by the Swiss and international media, Mr Hayek himself spends a good deal of his time in interviews as well. He has also become more visible lately in support of worthy causes. He participated in the preparatory meetings at the United Nations for the Earth Summit in March and launched a summit commemorative model Swatch.

By now, the SMH-Hayek success story is a familiar one. The Swiss watch industry was laid low in the late 1970s by Japanese companies that were quicker to capitalise on quartz and digital technologies. Between 1974 and 1983, exports of Swiss watches and movements crashed from 91.1m pieces to 42.8m.

Tony Andrews

SMH is set this year to surpass Citizen of Japan as the world's largest producer of watches

In 1982, leading Swiss banks asked Mr Hayek, a Zurich engineering consultant, to attempt a merger and rescue of two of the largest companies. Mr Hayek startled them by saying he would attack the Japanese head-on and try to recapture the mass market through *heavy investments* in automated manufacturing, product development and marketing. Retreating to niches, he declared, was pointless.

The rest is history. In less than 10 years, SMH has gone from the edge of bankruptcy to becoming a highly profitable, financially powerful world beater. Group net profits have *risen substantially* every year since 1985, jumping 31 per cent last year to SFr252m ($177.4m). No precise forecast was given for the current year, but Mr Hayek said he was hoping for another record result and was "full of euphoria" based on progress so far. Sales to the end of May were up 40 per cent.

He also announced triumphantly that SMH would this year surpass Citizen of Japan to become the world's largest producer of watches and movements.

Mr Hayek, who vaguely resembles the Hollywood actor and director Danny De Vito, *has inevitably become some*thing of a guru on consumer product marketing in general and beating Japanese competitors in particular.

His main observation is that many consumer products induce an "emotional" response. The purchaser has a more complex relationship with them than with, say, bread or a desk. To be successful, these products must not just have an image, they must deliver a message.

Mr Hayek was pleased to report on the success of the group's diversifications into *wrist-watch* pagers and personal telephones. His biggest project, in co-operation with *Volkswagen*, is to develop an environmentally friendly car. Mr Hayek refused to reveal details of the car, which has attracted much speculation, but said it was "very beautiful" and he hoped to launch it in 1996.

Does this all add up to hubris? It would be dangerous to come to that conclusion. For one thing, SMH is Swiss, and Swiss companies are known for retaining their discipline for longer periods than many Anglo-Saxon ones. For another, Mr Hayek seems to know the dangers ahead, as he emphasised yesterday.

"The seeds of failure lie in success itself. We must be energetic and tireless, and every day fight against the beginnings of arrogance towards our customers. We *must also be energetic and tire*less against any tendency to become presumptuous, to rest on our laurels or fall back into old habits. This would be deadly for the enterprise."

Asahi agrees to US glass deal

by Steven Butler in Tokyo

ASAHI GLASS, Japan's largest glass maker, has agreed to a gradual buy-out of AFG Industries, one of the largest makers of flat glass in the US glass.

The purchase is being made through Asahi's Dutch subsidiary Glass International for an estimated $80m.

The acquisition will help to progress Asahi's goal of further diversifying its operations geographically.

In addition to the acquisition price, Asahi has agreed to underwrite up to $150m in bonds for AFG.

The Asahi takeover follows from a management buy-out of AFG in 1988, during which time Asahi acquired a 19.7 per cent stake in AFG, and later *transferred this to Glass Inter*national, which is a 50-50 joint venture holding company half owned by Glaverbel, the Belgian glass company majority owned by Asahi.

The balance of AFG shares are held by the company's management and by institutional investors, who have agreed to the gradual buy-out, subject to approval by the US Federal Trade Commission, which is examining the deal.

AFG had sales *last* year of $516m. Asahi's sales in all of North America last year came to about Y70bn ($550m) *out of* gross consolidated sales of Y1,248bn.

AFG has six float glass plants in the US and one in Canada, and claims 15 per cent of the US market. Asahi said it would leave the US management of AFG in place for the time being.

GFSA considers merging 3 gold mines

By Philip Gawith in Johannesburg

GOLD FIELDS of South Africa *(GFSA), the country's second* largest gold producer, is considering merging Libanon and Venterspost, two *of its more* marginal mines, with Kloof minn.

Analysts speculate that a deal could be based upon tax savings, with the group being allowed to offset Libanon and Venterspost's losses and capi*tal spending against* Kloof's current revenues.

Libanon and Venterspost are *two of the most vulnerable* mines in the South African gold mining industry. They made respective after-tax losses of R3.2m and R3.3m in the first quarter of 1992, and have stock market capitalisations of about R85m ($23.6m) and R60m respectively.

Kloof, by contrast, is one of the richest mines in the indus*try. It made R111.5m profit in* the March quarter and has a market capitalisation of about R3.7bn.

No basis for court action against Spanish bankers

By Peter Bruce in Madrid

MR EMILIO BOTIN, the *president of Banco Santander*, the acquisitive Spanish commercial bank, was yesterday *released without bail after* giving evidence in chambers to a Madrid judge trying to find out who bought $1bn of credit assignments made by the bank between 1987 and 1989.

The Spanish tax authorities and the court suspect that many of the buyers of the credit assignments – off balance sheet transactions designed to bypass Bank of Spain liquidity ratios and withholding taxes – may have used them to launder undisclosed income.

Mr Rodrigo Echenique, Santander's managing director, *also gave evidence to the judge* yesterday and was also released without bail. Banco *Santander* said the judge had decided there was no basis for taking any action against the two men.

The judge, however, made no public statement and it is possible, as a nationwide *investigation continues,* that they may be recalled to give evidence to the inquiry.

Mr Botin, on leaving the court, said the credit assignments – the sale of loans to third parties to remove them from the bank's balances – were perfectly legal at the time.

"Although I was not aware of it, there may have been an excess of zeal, some negligence or a lack of information about the client's intentions," he said. "We have co-operated fully with the authorities in their investigation."

The tax authorities say they have been unable to identify the buyers of about 3,000 credit *assignments and suspect* that many may have been fictitious. Most Spanish banks used the assignments but Banco Santander is understood to have been the most aggressive seller of loans.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$339.85	+3.7	$366.95	$358.40	$335.20
Silver Per troy oz	220.5 p		269.20p	242.70p	210.00p
Aluminium 99.7% (cash)	$1251	-20	$1291.5	$1339.0	$1105.5
Copper Grade A (cash)	£1242.5	+17.5	£1342.0	£1318.5	£1125.0
Lead(cash)	£290.0	-5.25	£325.00	£315.0	£278.50
Nickel (cash)	$7135.0	-82.5	$8260	$8195.0	$7085.0
Zinc SHG (cash)	$1301.0	-146.5	$1075	$1457.5	$1108.5
Tin (cash)	$6757.5	+297.5	$5740	$6757.5	$5425.0
Cocoa Futures (Sep)	£534	-11	£639	£773	£533
Coffee Futures (Sep)	$706	-21	$564	$1013	$676
Sugar (LDP Raw)	$264.5	+11.9	$238	$271	$193
Barley Futures (Sep)	£107.85	-0.50	£114.8	£123.90	£106.90
Wheat Futures (Sep)	£110.95	-5.5	£113.1	£131.85	£109.85
Cotton Outlook A Index	65.45c	+1.15	83.60c	65.45c	52.25c
Wool (64s Super)	398p	-10	392p	480p	398p
Oil (Brent Blend)	$21.05x	+0.575	$18.175	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Aug.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.90-8.95z	-.100
Brent Blend (dated)	$21.05-1.20	-.050
Brent Blend (Aug)	$21.00-1.10	-.050
W.T.I (1 pm est)	$22.30-2.35z	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$237-239	+3
Gas Oil	$187-189	+0.5
Heavy Fuel Oil	$86-88	+3
Naphtha	$199-201	

Petroleum Argus Estimates.

Other		+ or -
Gold (per troy oz)♣	$343.65	+1.6
Silver (per troy oz)♣	410.0c	+1.0
Platinum (per troy oz)	$365.0	+0.90
Palladium (per troy oz)	$90.75	+0.25
Copper (US Producer)	108.50c	+0.01
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	16.63r	+0.30
Tin (New York)	314.50c	+4.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.65p	+1.19*
Sheep (live weight)†♠	86.01p	-2.86*
Pigs (live weight)†	62.62p	-3.53*
London daily sugar (raw)	$264.5t	-6.5
London daily sugar (white)	$297.0t	+2.0
Tate and Lyle export price	£251.5	-4.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.00p	
Rubber (Aug)♥	52.00p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$572.5w	-22.5
Palm Oil (Malaysian)§	$410.0y	
Copra (Philippines)§	$380.0y	-7.5
Soyabeans (US)	£145.5	-1.0
Cotton "A" index	65.45c	+0.05
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Jul/Aug z-Aug. †Meat Commission average fatstockprices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	240.80	242.00	244.00 236.60
Oct	223.40	223.40	226.40 220.80
Dec	212.00	212.00	209.00
White	**Close**	**Previous**	**High/Low**
Aug	288.90	288.90	291.00 287.00
Oct	274.50	271.00	273.00 270.00
Mar	273.50	275.00	273.50
May	277.20	279.50	279.50 277.20

Turnover: Raw 128 (374) lots of 50 tonnes. White 281 (1458)

Paris- White (FFr per tonne): Aug 1539.32 Oct 1456.60

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	21.08	21.06	21.11 20.86
Sep	20.96	21.01	21.04 20.86
Oct	20.86	20.92	20.88 20.82
Nov	20.81	20.81	20.81 20.72
Dec	20.73	20.74	20.74 20.72
Jan	21.08	20.65	21.08
IPE Index		20.98	

Turnover 10000 (12256)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jul	189.00	188.75	189.25 187.50
Aug	191.00	190.50	191.00 189.60
Sep	193.50	192.75	193.50 191.75
Oct	195.75	195.25	195.75 194.00
Nov	197.25	196.75	197.50 196.00
Dec	198.50	197.75	198.75 197.50
Jan	196.50	195.75	196.50
Feb	194.00	193.00	194.25 192.25

Turnover 8634 (8675)lots of 100 tonnes

SPICES

Cassia market has firmed because of lower supplies from Sumatra, where farmers are picking coffee, reports Man-producten. As there are no large stocks in Europe this could mark the beginning of a firmer market until the end of the season in November. Korintji a, spot $2,225 a tonne, afloat $2,050, shipment $1,900 Korintji b, afloat $1,300, shpmt $1,250. Nutmegs - shippers freely offering again. Grenada defectives are landing in perfect shape and can compete with Indonesian quality sound shrivels; *defectives are offered at $1,000 and sound shrivels at $1,400 cif ebo.*

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	516	514	520 513
Sep	534	533	536 532
Dec	564	564	567 563
Mar	593	595	596 593
May	613	611	615 612
Jul	631	630	634 630
Sep	651	651	656 652
Dec	680	[illegible]	682

Turnover: 2207 (3064) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Jun 18 687.63 (682.47) 10 day average for Jun 19 673.68 (673.65)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	685	701	697 681
Sep	706	726	723 706
Nov	733	749	745 732
Jan	765	768	767 760
Mar	777	780	784 775
May	796	806	804 800
Jul	816	828	834

Turnover:3924 (1467) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Jun 18: Comp. daily 48.82 (49.32) 15 day average 48.94 (48.97)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	88.5	89.0	88.8 87.5

Turnover 82 (92) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	125.00	122.50	

Turnover 0 (0)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jun	1136	1148	1136 1125
Jul	1043	1050	1060 1040
Aug	1057	1065	1060 1055
Oct	1195	1200	1200 1180
Jan	1233	1243	1235 1226
Jul	1060		1097
BFI	1102	1152	1152

Turnover 315 (107)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	123.85	122.05	123.85 123.00
Nov	113.65	113.65	113.65
Barley	**Close**	**Previous**	**High/Low**
Nov	111.15	111.15	111.15

Turnover: Wheat 36 (163) , Barley 24 (47). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	121.8		128.0
Jul	113.5	114.8	113.5 113.3
Aug	103.5	104.8	103.5 103.3

Turnover:24 (12) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 33,872 lots	
Cash	1250.5-1.5	1264.5-5.5		1247.5-8.5		
3 months	1276-7	1286.5-9.5	1287/1273	1273-3.5	1276-7	155,149 lots
Copper, Grade A (£ per tonne)					Total daily turnover 22,294 lots	
Cash	1242-3	1255.5-6.5	1242/1240	1241-1.5		
3 months	1260-1	1266-6.5	1266/1257	1256.5-6	1262-3	105,286 lots
Lead (£ per tonne)					Total daily turnover 5,411 lots	
Cash	289.5-90.5	290-90.5		290-0.25		
3 months	301-1.5	301-1.5	302/301	301.75-2	301-2	16,545 lots
Nickel ($ per tonne)					Total daily turnover 4,883 lots	
Cash	7130-40	7145-55		7115-6		
3 months	7210-15	7225-30	7230/7185	7190-1	7210-5	23,694 lots
Tin ($ per tonne)					Total daily turnover 1,947 lots	
Cash	6755-60	6865-70	6770/6765	6760-5		
3 months	6780-5	6870-75	6785/6715	6765-70	6745-50	9,664 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 21,581 lots	
Cash	1300-2	1315-20	1305/1300	1300-5		
3 months	1197-8	1210-11	1212/1197	1200-1	1196-7	51,697 lots

LME Closing £/$ rate: SPOT: 1.8595 3 months: 1.8538 6 months: 1.8094 9 months: 1.7654

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	343.40-343.70	
Opening	*343.80-344.00*	
Morning fix	343.60	184.797
Afternoon fix	343.55	184.604
Day's high	344.85-345.15	
Day's low	343.40-343.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.45	6 months	3.38
2 months	3.43	12 months	3.50
3 months	3.40		

Silver fix	p/troy oz	US cts equiv
Spot	220.35	411.10
3 months	226.35	414.90
6 months	231.75	419.15
12 months	242.85	429.65

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	343.50-344.50	184.75-185.25
Maple leaf	354.00-355.00	190.25-190.75
New Sovereign	83.00-84.00	44.50-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	58	80	3	3
1300	3	18	42	43
1400	3	3	141	125
Copper (Grade A)	**Calls**		**Puts**	
2150	184	184	3	3
2250	85	77	3	13
2350	3	22	38	57
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
600	106	128	2	3
650	65	84	3	11
700	33	59	27	29
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
575	8		49	
600	4	21	70	57
625	2	15	93	78
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
2100	44	55	38	60
2150	26			
2200	10			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	340.8	342.6	344.8	341.0
Jul	341.3	343.1	0	0
Aug	342.4	344.2	346.9	341.8
Oct	344.2	346.0	348.7	343.8
Dec	346.2	348.0	350.9	345.6
Feb	348.4	350.2	352.4	351.5
Apr	350.6	352.4	355.0	355.0
Jun	353.0	354.8	353.2	353.2
Aug	355.6	357.3	359.0	359.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	358.4	358.4	0	0
Jul	357.6	358.4	361.5	357.0
Oct	365.4	366.3	369.0	365.5
Jan	364.1	365.0	367.0	364.5
Apr	364.1	364.9	366.0	366.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	402.0	408.8	0	0
Jul	402.3	409.2	414.5	402.0
Aug	404.1	411.0	0	0
Sep	406.4	412.4	419.0	405.0
Dec	410.0	417.0	423.0	410.0
Jan	411.7	418.7	0	0
Mar	415.0	422.1	427.0	415.5
May	418.5	425.8	426.0	426.0
Jul	422.0	429.1	428.5	424.5
Sep	426.1	433.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	104.70	104.25	105.30	104.60
Jul	104.75	104.40	105.30	104.65
Aug	104.75	104.55	0	0
Sep	104.95	104.70	105.70	104.90
Oct	104.75	104.60	105.45	105.45
Nov	104.70	104.55	0	0
Dec	104.60	104.50	105.25	104.60
Jan	104.30	104.20	0	0
Feb	103.85	103.90	0	0
Mar	103.65	103.90	104.05	103.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	62.30	64.20	62.50	61.80
Oct	64.22	65.15	64.50	63.80
Dec	64.15	65.35	64.29	63.60
Mar	65.30	65.80	65.20	64.70
May	65.32	64.15	65.30	65.10
Jul	65.42	64.10	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	22.24	22.26	22.26	22.12
Aug	22.31	22.33	22.37	22.22
Sep	22.30	22.28	22.34	22.18
Oct	22.23	22.20	22.28	22.10
Nov	22.16	22.11	22.18	22.00
Dec	22.07	22.02	22.10	21.96
Jan	21.90	21.86	21.90	21.83
Feb	21.77	21.74	21.78	21.76
Mar	21.63	21.59	21.62	21.62
Apr	21.47	21.45	21.45	21.46

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Jul	6145	6121	6165	6090
Aug	6185	6172	6200	6145
Sep	6285	6271	6295	6245
Oct	6375	6360	6385	6340
Nov	6470	6450	6470	6436
Dec	6545	6523	6555	6510
Jan	6560	6535	6560	6525
Feb	6420	6405	6420	6400
Mar	6185	6160	6200	6185
Apr	5975	5935	5975	5975

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	637	626	638	621
Sep	883	873	884	871
Dec	933	925	936	925
Mar	982	973	982	974
May	1009	1004	1009	1000
Jul	1037	1033	0	0
Sep	1068	1065	1068	1068
Dec	1108	1103	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	57.50	60.40	60.40	57.50
Sep	60.80	62.50	62.65	60.15
Dec	63.60	65.50	65.60	63.00
Mar	66.60	68.60	68.50	65.90
May	70.70	72.60	72.00	70.30
Jul	72.75	75.00	73.00	72.00
Sep	74.10	76.00	76.00	74.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.79	10.81	10.79	10.66
Oct	9.91	9.91	9.94	9.75
Mar	9.78	9.69	9.79	9.56
May	9.70	9.62	9.70	9.52
Jul	9.63	9.54	9.62	9.50
Oct	9.52	9.46	9.52	9.43

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	127.35	126.60	127.40	127.00
Sep	119.60	118.80	119.90	119.80
Nov	116.55	114.30	116.85	115.00
Jan	114.50	113.90	114.75	114.00
Mar	114.35	113.75	114.35	114.35
May	113.95	113.35	113.95	113.80
Jul	113.95	113.35	0	0
Sep	113.95	113.35	0	0
Nov	113.95	113.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun.19	Jun.18	mnth ago	yr ago
1586.0	1592.3	1593.5	1777.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun.18	Jun.17	mnth ago	yr ago
Spot	119.67	119.19	117.05	130.91
Futures	120.39	120.12	117.26	128.21

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	603/2	603/0	604/4	601/0
Aug	606/6	607/4	608/4	604/6
Sep	611/2	613/0	613/0	609/4
Nov	618/2	619/2	620/0	615/6
Jan	625/6	627/4	628/0	624/4
Mar	634/0	635/0	636/4	632/4
May	638/0	640/6	640/0	637/0
Jul	640/4	642/0	642/4	639/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.84	20.69	20.90	20.60
Aug	21.01	20.84	21.05	20.78
Sep	21.22	21.05	21.25	21.00
Oct	21.36	21.20	21.36	21.17
Dec	21.66	21.51	21.68	21.42
Jan	21.75	21.64	21.75	21.60
Mar	21.97	21.87	0	0
May	22.15	22.10	22.16	22.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	180.8	181.9	182.5	179.8
Aug	181.6	182.9	183.5	180.9
Sep	182.5	183.4	184.0	181.9
Oct	199.5	200.4	200.0	198.0
Dec	199.5	200.7	201.0	199.0
Jan	200.3	201.5	201.0	199.5
Mar	200.8	201.5	201.6	200.6
May	201.0	201.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	251/2	249/6	251/4	249/4
Sep	255/2	254/2	255/6	253/6
Dec	259/4	257/4	259/6	257/0
Mar	266/6	264/4	266/6	264/0
May	271/2	267/6	271/4	268/0
Jul	274/0	270/4	274/0	270/2
Sep	261/4	259/0	261/4	260/0
Dec	259/2	256/0	259/2	256/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	357/2	352/4	358/0	353/0
Sep	360/0	355/4	360/4	356/0
Dec	367/4	363/4	368/0	363/4
Mar	367/0	366/0	367/4	363/4
May	353/0	351/0	353/0	349/6
Jul	336/2	332/4	336/4	332/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.300	73.125	73.400	72.975
Aug	71.450	70.825	71.475	70.700
Oct	71.600	70.875	71.650	70.650
Dec	70.775	70.025	70.800	69.925
Feb	70.075	69.575	70.100	69.500
Apr	71.275	70.650	71.325	70.600
Jun	68.300	68.075	68.500	68.125

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	50.300	49.650	50.400	49.750
Jul	46.575	46.275	46.700	46.125
Aug	44.100	43.750	44.400	43.700
Oct	40.150	39.650	40.200	39.850
Dec	42.400	42.000	42.550	42.050
Feb	43.350	43.250	43.500	43.250
Apr	42.300	42.225	42.300	42.050
Jun	47.500	47.350	47.500	47.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	33.225	32.700	33.500	32.500
Aug	30.600	30.425	30.960	30.250
Feb	42.250	42.100	42.700	41.625
Mar	42.350	42.250	42.360	41.900
May	43.300	42.800	43.300	42.400
Jul	42.650	42.650	43.300	42.550

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark firm despite Emu vote

CONTRARY to the market's expectations, the D-Mark remained firm against most European currencies yesterday as the Irish people issued a resounding "Yes" in their referendum on European union, *writes James Blitz.*

Ever since the Danes rejected European union in their referendum earlier this month, the German currency has made headway on fears that the Maastricht treaty would dissolve. Analysts had expected that the D-Mark would give up some of those gains if Ireland calmed nerves by supporting the treaty. But the early indications yesterday were otherwise. Sterling closed unchanged against the D-Mark at DM2.9200; the Spanish peseta was only marginally stronger against the German currency at Pta62.81 from a previous close of Pta62.96; the Italian lira, which badly needed a boost after a week of solid intervention by the Bank of Italy on its behalf, made up only a little of the ground it has lost. It closed at 758.8 to the D-Mark from a previous close of 758.6.

The question on many lips last night was: where does Europe go from here? The next headline event is the French referendum on Maastricht, due to take place in September. Until then, traders will ponder three possible outcomes: that Maastricht collapses, that eleven of the twelve EC states go ahead with Emu or that there will be a two-speed Europe in which some states unite their currencies and others do not. In any event, Mr Gerard Lyons, chief economist at DKB International in London, is a D-Mark bull: "You will have a background in which the German currency remains stable and nothing will change that over the next week or so."

Trading in the US dollar remained sluggish yesterday. The Philadelphia Federal Reserve survey was disappointing, showing a slower growth rate in manufacturing in June. The currency was also unable to keep any of its gains against the D-Mark, even though the Irish vote unwound a few long D-Mark positions. "Dollar sentiment is so sour that people automatically look to sell every rally," said a US bank trader. "And they're waiting less and less time before taking the profits as well." The US currency ended marginally up, but still at the bottom of its ranges for the week, at DM1.5700 from a previous close of DM1.5650.

The Japanese yen slipped fractionally against the D-Mark, still injured by the fall in the Japanese stock market the previous day. The 225-share Nikkei average showed signs of consolidating around the 16,000 level yesterday, but the D-Mark was still up at Y80.82 from a previous close of Y80.99. A big test of the yen's strength comes next week, when the latest Japanese money supply figures are due.

£ IN NEW YORK

June 19	Latest	Previous Close
£ Spot	1.8610-1.8620	1.8628-1.8635
1 month	0.93-0.92pm	0.95-0.93pm
3 months	2.74-2.72pm	2.76-2.73pm
12 months	9.22-9.15pm	9.27-9.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 19	Previous
8.30 am	93.0	92.9
9.00 am	93.0	93.0
10.00 am	93.0	93.0
11.00 am	93.0	93.0
Noon	93.1	93.1
1.00 pm	93.1	93.1
2.00 pm	93.1	93.1
3.00 pm	93.0	93.1
4.00 pm	93.0	93.1

CURRENCY MOVEMENTS

Jun 19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.0	-18.8
U.S Dollar	62.2	-16.5
Canadian Dollar	99.0	-2.7
Austrian Schilling	110.3	+12.4
Belgian Franc	111.8	-2.7
Danish Krone	110.0	+3.9
D-Mark	119.1	+25.4
Swiss Franc	107.3	+15.3
Dutch Guilder	114.8	+16.4
French Franc	104.9	-11.5
Lira	98.3	-30.2
Yen	141.5	+77.1
Peseta	108.1	-17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for June 18

CURRENCY RATES

Jun 19	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.799500	0.701923
U.S Dollar	3.50	1.41305	1.30593
Canadian $	6.62	1.69156	1.56515
Austrian Sch	7.50	N/A	14.4357
Belgian Franc	8.50	45.9312	42.2108
[illegible]	[illegible]	[illegible]	[illegible]

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculation. * All SDR rates are for June 18

OTHER CURRENCIES

[illegible]

*Floating rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.8595	1.8502	1.8321	1.8078	1.7682
D-mark	2.9200	2.9195	2.9193	2.9184	2.9167
French Fr.	9.8325	9.8311	9.8242	9.8143	9.8056
Swiss Fr.	2.6325	2.6310	2.6287	2.6228	2.6256
Yen	236.00	234.96	232.79	229.72	224.11

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.162	-4.80	6.00	79
Spanish Peseta	133.631	129.040	-3.44	4.51	58
Belgian Franc	42.4032	42.2108	-0.45	1.38	25
Dutch Guilder	2.31643	2.31058	-0.25	1.17	14
D-Mark	2.05586	2.05096	-0.24	1.16	17
Irish Punt	0.767417	0.767020	-0.05	0.97	4
French Franc	6.89509	6.90770	0.18	0.73	-8
Danish Krone	7.84195	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	0.696904	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1538.24	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8565 - 1.8640	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	2.2250 - 2.2320	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	3.2825 - 3.2955	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	60.00 - 60.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	11.2225 - 11.2635	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	1.0915 - 1.0955	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	2.9175 - 2.9285	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	241.60 - 243.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	183.20 - 184.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2205.95 - 2214.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	11.3975 - 11.4435	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	9.8275 - 9.8585	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	10.5300 - 10.5645	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	235.50 - 236.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	20.51 - 20.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.6275 - 2.6445	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.4250 - 1.4260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.16pm. 12 Month 9.18-9.08pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8565 - 1.8640	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	1.6960 - 1.7050	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.1985 - 1.1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	1.7650 - 1.7760	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	32.25 - 32.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	6.0340 - 6.0650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

	Close	High	Low	Prev.
Jun	97-21	97-21	97-21	97-21
Sep	97-29	98-06	97-22	97-27

Estimated volume 34234 (13837)
Previous day's open int. 59871 (61215)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	101-15	101-15	101-15	101-21
Sep	100-05	100-13	99-30	100-17

Estimated volume 913 (968)
Previous day's open int. 1650 (1386)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	88.10	88.16	88.02	88.10
Dec	88.46	88.42	88.42	88.45

Estimated volume 22603 (12394)
Previous day's open int. 105359 (103623)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	102.50	102.62	102.48
Dec	102.00		

Estimated volume 2571 (1358)
Traded exclusively on APT

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	99.56			99.68

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Sep	95.84	96.65	95.34	96.30
Dec	96.00			95.46

Estimated volume 28554 (33980)
Previous day's open int. 41008 (43312)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Sep	90.25	90.28	90.23	90.26
Dec	90.50	90.56	90.50	90.53
Mar	90.72	90.76	90.72	90.74
Jun	90.93	90.94	90.91	90.92
Sep	91.00	91.01	90.98	91.00
Dec	90.97	91.00	90.96	90.96

Est. Vol. (inc. figs. not shown) 18257 (24096)
Previous day's open int. 179373 (177901)

THREE MONTH EURODOLLAR $1m points of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Jun	101-05	101-16	101-00	101-15
Sep	99-31	100-13	99-29	100-12
Dec	98-28	99-08	98-25	99-08
Mar	97-27	98-02	97-27	98-08
Jun	97-00	97-03	97-00	97-11
Sep	-	-	-	96-14
Dec	-	-	-	95-21
Mar	-	-	-	94-30
Jun	-	-	-	94-09
Sep	-	-	-	93-22

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Jun	96.35	96.35	96.34	96.37
Sep	96.22	96.25	96.21	96.26
Dec	95.89	95.93	95.89	95.81
Mar	95.78	-	95.78	95.44

BRITISH POUND (IMM) $s per £

	Latest	High	Low	Prev.
Sep	1.8314	1.8364	1.8310	1.8396
Dec	1.8070	1.8120	1.8070	1.8146
Mar	1.7898	-	1.7898	1.7936

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6949	0.6968	0.6942	0.6985
Dec	0.6878	0.6898	0.6865	0.6909
Mar	0.6810	-	0.6810	0.6849

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7863	0.7873	0.7859	0.7875
Dec	0.7863	-	0.7863	0.7870
Mar	0.7876	-	0.7876	0.7877
Jun	-	-	-	-

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.6268	0.6288	0.6264	0.6297
Dec	[illegible]	0.6295	[illegible]	0.6214
Mar	0.6125	-	0.6125	0.6245
Jun	-	-	-	0.6078

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	95.86	95.89	95.85	95.90
Dec	95.33	95.35	95.32	95.37
Mar	95.25	95.27	95.22	95.29
Jun	94.85	94.88	94.82	94.89
Sep	94.38	94.39	94.36	94.41
Dec	93.82	93.82	93.80	93.84
Mar	93.69	93.69	93.67	93.70
Jun	93.38	93.38	93.36	93.39

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	403.40	403.80	403.00	401.30
Dec	404.10	404.50	404.10	401.90
Mar	405.80	405.80	-	403.80
Jun	407.45	-	-	-

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.750	10.60	10.50	10.90	10.55	-	0.22	0.76	2.59
1.775	8.10	8.00	8.00	8.29	0.02	0.42	1.30	3.50
1.800	5.65	5.70	5.91	6.44	0.22	1.19	2.06	4.61
1.825	3.37	3.80	4.14	4.91	0.70	2.08	3.07	5.92
1.850	1.69	2.40	2.85	3.70	1.63	3.21	4.42	7.43
1.875	0.72	1.42	1.87	2.75	3.15	4.83	6.00	9.07
1.900	0.23	0.77	1.14	2.05	5.23	6.60	7.81	10.93

Previous day's open int: Calls 196,415 Puts 369,322 (All currencies)
Previous day's volume: Calls 10,067 Puts 40,144 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
June	107.22	106.90	-0.08	107.42	106.84	9.90	27,986
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
105	-	-	0.35	0.19	0.38	-
106	-	-	0.71	0.35	-	-
107	0.89	-	1.28	0.71	0.96	-
108	0.44	0.90	1.93	1.20	1.44	-
109	0.18	0.56	-	1.93	-	-
110	0.09	-	-	-	-	-
Open int.	94,698	28,629	200	73,414	33,865	480

Estimated volume 90,335 Total Open interest 233,696

BANK RETURN

BANKING DEPARTMENT	Wednesday June 17, 1992	Increase or decrease for week	
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	94,685,656	-	13,576,843
Bankers Deposits	1,573,046,418	+	147,052,718
Reserve and other Accounts	3,770,128,479	+	83,848,510
	5,452,413,552	+	197,324,585
ASSETS			
Government Securities	1,294,461,176	+	21,685,000
Advance and other Accounts	2,827,832,573	+	418,061,735
Premises Equipment & other Secs	1,318,017,283	-	242,844,162
Notes	11,901,303	+	211,845
Coin	211,218	+	10,367
	5,452,413,552	+	197,324,585
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,968,098,697	-	20,211,845
Notes in Banking Department	11,901,303	+	211,845
	15,980,000,000	-	20,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	11,098,177,600	+	1,731,412,999
Other Securities	4,870,807,300	-	1,751,412,999
	15,980,000,000	-	20,000,000

MONEY MARKETS

Rates unchanged

PERIOD rates in the sterling cash market were largely unchanged yesterday, even though the large £1.2bn shortage forecast by the Bank of England was mostly removed in the morning.

As often happens on a Friday, players in the discount market mustered paper in the morning to push the overnight rate down as far as possible over the weekend. The overnight rate went down to a low of 8 per cent. But at the end of the day, period rates firmed up as the overnight ended at around 10⅝ per cent.

UK clearing bank base lending rate 10 per cent from May 5, 1992

One week money again ended at 10⅛ per cent, 1-month was marginally softer at 10$\frac{1}{32}$ per cent and 3-month money, often seen as the most important indicator of market sentiment, again ended on 10 per cent, in line with UK bank base rates.

Most of the shortage in the market was removed by lunchtime, with the Bank of England again dealing at the established rates of 9⅞ per cent for Bands 1 and 2, 9$\frac{13}{16}$ per cent for Band 3 bills and 9$\frac{15}{16}$ per cent for the repurchase agreements (repos).

The Bank purchased £519m of Band 1 bank bills, £146m of Band 2 bank bills, £142m of Band 3 bills, and £200m for resale to the market in equal amounts on 8 and 9 July. The forecast was later revised to a shortage of around £1.3bn. In the afternoon, the Bank purchased £141m of Band 1 bank bills and provided late assistance of £70m.

Trade in sterling futures reflected the bullishness in the cash markets during the morning. The bulls were partly spurred on by the news from Dublin that the Irish people had voted an overwhelming "Yes" in the Maastricht treaty on European Monetary Union (Emu). In the morning, the September short sterling contract rose 4 ticks from its opening levels to a high of 90.28. It later drifted back down again to close at 90.25. The December contract plotted a similar trajectory, rising 3 ticks to a high of 90.56 but dropping back to a close of 90.51.

Despite the encouraging news from Dublin for sterling, the market is still expecting next week to be expensive for money. The second quarter draws to an end, and banks face short term liquidity problems. Next week's gilt auction of £2.75bn, will also drain the market of liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 19) 3 months US dollars	6 months US Dollars
bid 3½	offer 3⅝	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and [illegible]

MONEY RATES

NEW YORK Treasury Bills and Bonds

Lunchtime			
Prime rate	6½	One month	[illegible]
Broker loan rate	5	Two month	[illegible]
Fed funds	3⅝	Three month	[illegible]
Fed funds at intervention	-	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

June 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.60-9.70	9.65-9.75	[illegible]	[illegible]	[illegible]
Paris	9⅞-9⅞	9⅞-10⅛	10-10⅛	[illegible]	[illegible]	[illegible]
Zurich	7¾-8⅛	8⅞-9⅛	-	[illegible]	[illegible]	[illegible]
Amsterdam	8.25-8.40	9.43-9.50	-	[illegible]	[illegible]	[illegible]
Tokyo	4⅞-4⅞	4⅞-4¾	-	[illegible]	[illegible]	[illegible]
Milan	12-12⅛	14⅛-14⅞	-	[illegible]	[illegible]	[illegible]
Brussels	9⅛-9½	9½-9¾	-	[illegible]	[illegible]	[illegible]
Dublin	9⅞-9⅞	9½-9⅞	9⅞-10⅛	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jun 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10⅛	10⅛	[illegible]	[illegible]	[illegible]
Interbank Bid	8	9⅞	9⅞	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	9⅞	[illegible]	[illegible]	[illegible]
Local Authority Deps.	10⅝	10⅛	10⅛	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	10⅛	9½	-	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	10	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	9⅞	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	9⅝	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	9⅝	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	-	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	-	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	-	-	6⅜	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	6¼	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	10½	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	10⅜	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 9½ per cent; three months 9[illegible] per cent; Bank Bills (sell): one-month 9½ per cent; three months 9[illegible] per cent; Treasury Bills; Average tender rate of discount 9.3837 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1992. Agreed rates for period June 24, 1992 to July 23, 1992, Scheme I: 11.34 p.c., Schemes II & III: 11.35 p.c. Reference rate for period May 1, 1992 to May 29, 1992, Scheme IV&V: 10.122 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from June 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, *they are not in order of execution but in* ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's *Official List the latest recorded business* in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock *Exchange of the United Kingdom and the Republic of Ireland Ltd.*

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 1691

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £120¼ ⅜ ⅛ (18Je92)

Corporation and County Stocks

No. of bargains included3

Birmingham Corp3½% Stk 1946(or after) - £32 (18Je92)

Birmingham District Council 11½% Red Stk 2012 - £112♦

Nippon Telegraph and Telephone Corp 6¾% Nts 1996 (BrY1000000) - Y100.85 1.1 (15Je92)

7¾% Nts 1996 - $102⅞ (16Je92)

Norway (Kingdom of)7% Nts 1996 (Br $5000&100000) - $102.2 (15Je92)

7¼% Nts 1997 (Br $5000&100000) - $102¾ (16Je92)

Norway (Kingdom of) 10½% Nts 1994 (Br£1000,10000&100000) - £101⅜♦

Pacific Electric Wire&Cable Co Ld3¾% Bds 2001 - $105½ (16Je92)

Pearson PLC10½% Bds 2008 - £98⅝ (16Je92)

Pearson Sterling Finance PLC10⅞% Gtd

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Actinor NKr80.0 (16/6)
Aust. Foundation Inv 74.0
Bukit Sembawang S$8.05 (16/6)
Dainippon Screen Manufacturing Y800.0 (17/6)
Devex 34.0 (17/6)
Elec & Eltek Co HK$0.45
Far East Hotels & Entertainment FFr0.51 (16/6)
Harland (John H) Co $21.12♦
Kulim Malaysia Ord 25.0 (16/6)
National Resources Exploration A$0.17
Niugini Mining A$2.57
Oil Search 33.0
Overseas Chinese Banking Corp £4.33
Palabora Mining R80.25
Playmates Hldgs HK$1.98♦
Sappi Ltd $12.45 (15/6)
Selangor Coconuts 25.0 (16/6)
Storer Communications SKr306.0 (16/6)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Market ends grim week with a bounce

By Peter John

PRICES recovered slightly on the London stock market yesterday following a grim few days beset by political worries and corporate gloom. Nevertheless, claims that the market has reached a floor might have shaky foundations; it appears to be following the old traders adage: "Sell in May, go away, come back on St Leger Day".

Initial impetus for a bounce, yesterday, was provided by the Japanese Nikkei index, which rose by 474 after hitting a five-and-a-half-year low on worries about the state of the economy.

The Nikkei's improvement enabled London to shrug off Thursday's weak close on Wall Street and prices were marked up by 12 points at the opening ahead of the expiry of Footsie futures and options at 10.10am.

After this technical situation was out of the way, it was confirmed that Ireland had chosen resoundingly to accept the Maastricht Treaty on European Union. Concerns about the way Ireland would vote had been overhanging the market and, on the news, the Footsie sprang ahead by another 10 points, prompted by the first genuine buying of the day.

In the afternoon, the Dow opened some 13 points ahead and gave a further prop to the Footsie which closed 22.1 up at 2,584.8. *Turnover was boosted* by three programme trades, speculation that a bidder was sniffing around glassmaker Pilkington and active dealing among banking stocks. However, the closing volume was 440.6m shares, compared with 517.9m on Thursday, suggesting that the level of genuine retail business would be below Thursday's £1.03bn.

The market had managed to shrug off the effect of poor performances in Tokyo and Wall Street and the decision by the aviation leasing group GPA to abandon its planned share flotation. In fact, traders appreciated that the cash reserved for the GPA offer would now be looking for another home.

One piece of bad news the market was unable to ignore was *Thursday's statement* by ICI that signs of an upturn had petered out. S.G. Warburg Securities summed up the view of many when it commented: "The prospect of a summer which might well be marked by a steady drizzle of earning downgrades suggests that even if the market is near the bottom any rebound may be slow and hesitant." The feeling was that although the Footsie might be undervalued, institutional buyers were cherry picking on selected stocks rather than buying the market. If that continues to be the case, London could stall for some time.

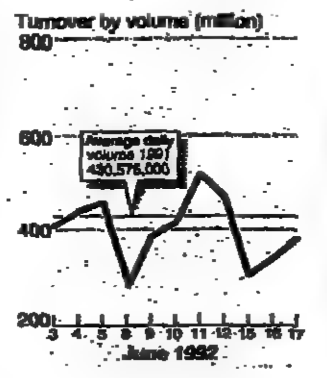
● Customer, or retail turnover in equities languished as buyers waited on the sidelines until Ireland had voted on the Maastricht treaty.

Account Dealing Dates		
*First Dealings:		
Jun 1	Jun 15	Jun 29
Option Declarations:		
June 11	Jun 25	Jul 9
Last Dealings:		
Jun 12	Jun 26	Jul 10
Account Day:		
Jun 22	Jul 6	Jul 20

*New-time dealings may take place from 8.30 am two business days earlier.

London SE volume

Turnover by volume (million)



Abbey hit by broker revision

HIGH street clearer Abbey National failed to benefit from a bounce in the banking sector, retreating on high turnover after one agency broker weighed in with a heavy forecast cut. *Following a discussion* with the bank, James Capel is now widely believed to be expecting profits to be no more than £580m, for the current year, down from its previous forecast of £635m, and well below Abbey's 1991 profit of £618m. Capel cut the following year's forecast by £40m to £710m.

There were suggestions that at least one other securities house will soon follow suit – possibly going as low as £560m – in order to take account of losses on mortgage repossessions, and higher provisions in the company's European subsidiaries. The shares were 6 *higher* early in the session *but* when the news of the forecast cut leaked into the market they fell back to end 7 off at 269p, the day's low as volume rose to 8.5m shares, unusually high for Abbey.

Pilkington active

Hefty turnover in Pilkington *helped the shares gain 6½* to 137p and added further fuel to rumours surrounding the speculative *intentions of fellow* glassmaker, PPG Industries of the US.

More than 12m shares were traded yesterday as talk in the market suggested PPG may have picked up 4m. There was further speculation that the stock was part of the old BTR stake, a large chunk of which failed to find a home last month. Pilkington was also very active in the traded options market where the equivalent of 4.2m shares were dealt.

However, the talk failed to be substantiated and analysts were generally sceptical about the possibility of a bid. "PPG would run into regulatory problems on both sides of the Atlantic," said Mr Lawrence Ambold at Carr Kitcat & Aitken. "But this is a low point in Pilkington's share price and there have been a lot of people waiting in the wings ready to jump aboard – perhaps including PPG."

Dark clouds overshadowed British Aerospace as a clutch of brokers took a negative view on the outlook for profits this year, sending the shares into retreat. The downward slide started after Strauss Turnbull decided that the company *would make no profits this* year, having previously forecast full-year profits of £170m, *to allow for provisions on the* company's regional aircraft division.

The cut was made following an analysts trip and discussion with the BAe chairman at the Berlin Air show. Strauss remain buyers of the stock. UBS Phillips & Drew and S.G. Warburg were also reported to have turned sour.

Dividend fears again dogged the shares which, at the day's worst, were down 19 at 258p. Bargain hunters helped them rally off the bottom to end 10 lighter at 267p on turnover of 4.3m.

Enterprise Oil gained 11 to 414p on announcing a successful attempt to raise funds through a $150m issue of preference shares. Analysts regard the deal as good for Enterprise, because it means the company, with high borrowings and a full capital spending *programme, can avoid going cap* in hand to the banks.

There was some question however whether the fund raising exercise was enough on its own to account for yesterday's share price rise. Traders suggested that a fairly illiquid market in the shares and the fact that there is no traded option facility added support.

Lasmo continued to fall, losing 5½ to 193½p, reflecting the company's high level of debts and Strauss Turnbull's recent forecast of a loss this year and next. County NatWest downgraded its profit forecast for the company and agreed with Strauss that the dividend is unlikely to be covered.

ICI was subject to a series of downgrades, following Thursday's gloomy meeting with analysts, and the shares tumbled 18 to 1217p. Kleinwort Benson lopped £50m off its profit forecast for 1992 down to £850m, while Hoare Govett is looking for £830m, down £70m.

Banks outperformed a rising market, recovering from recent falls which had left the sector oversold. Midland jumped 6 to 426p on unusually heavy turnover of 13m, benefiting from the improvement in the HSBC share price in Honk Kong.

Reuters was in in demand ahead of next week's launch of Globex, the company's new derivatives dealing system. The shares bounced 15 to 1109p.

Ladbroke reversed its recent decline on the back of Thursday's buy notes from two brokers. The shares jumped 9 to 217p. Forte edged up 3 to 212p as it announced an Italian hotel coup and the continuation of its long-winded negotiations to sell its Gardner Merchant subsidiary. Granada was in demand, the shares climbing 14½ to 267½p.

However, Rank's dismal run continued as worries resurfaced over its Rank Xerox subsidiary, the shares shedding 6 to 673p.

Mining group RTZ Corp fell 10 to 610p after Smith New Court trimmed its profit estimate for 1992 and 1993. The house cut its forecast of attributable profit for 1992 to £380m from £385m and to £479m from £495m for 1993.

Ratners, which little more than a week ago announced the sale of its Watches of Switzerland subsidiary, continued to attract concern about its debt. In high turnover of 3.7m the shares fell 2½ to 10p, and have lost a third of their value since the start of the month.

Suggestions that negative comments about Boots had been overdone, after the company's results earlier this month, particularly with regard to the costs of the Manoplax drug, lifted the shares 6 to 453p.

Shares in Vosper Thornycroft continued to benefit from an institutional visit organised by broker Charterhouse Tilney earlier in the week. The shares ened 14 better at 345p.

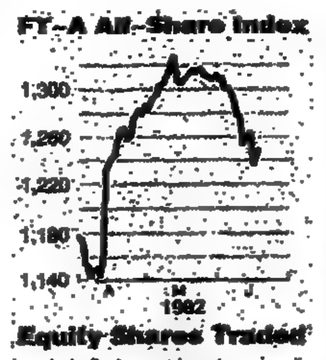
Hopes that the groundwork is in place for a gradual economic recovery supported food retailers. Among the big three supermarket chains Argyll rose 6 to 358p, J. Sainsbury improved 6 to 468p, and Tesco put on 5 to 282p. Iceland was also firm, rising 8 to 523p. Shoprite, with interim figures due next week, climbed 9 to 545p.

Tate & Lyle continued to suffer from adverse comments from analysts, declining 8 to 352p, while United Biscuits, the subject of a failed attempt to place a large block of shares on Thursday, *slipped 4 to 358p*. Unilever put on 5 to 940p.

MARKET REPORTERS:
Christopher Price, Peter John, Joel Kibazo, Colin Milham.

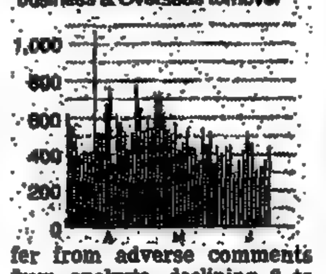
■ *Other market statistics,* Page 11

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (10). BREWERS (1) Mansfield Brew., CONGLOMERATES (1) Boxycote, ELECTRONICS (3) Blick, Hoskyns, Pressac, ENG GEN (2) Plessey, Vosper, FOOD RETAILING (2) Kwik Save, Shoprite, HEALTH & HSEHOLD (1) Ransom (W), HOTELS & LEIS (1) Eurocamp, MERC BROKERS (1) Berry Birch & Noble, INV TRUSTS (1) Malaysia Cap. Select, MEDIA (2) Princedale, Ulster TV, MISC (2) Dunks Business Syst., Portmeirion Pots., STORES (1) Next, TEXTS (1) Gaskell.

NEW LOWS (68). BRITISH FUNDS (1) Treas. 4¼pc IL 2030, AMERICANS (8) Amer. Cyanamid, California Energy, Data Gen., Morgan (JP), Quaker Oats, Rep NY, Rockwell, Unisys, CANADIANS (1) Hudsons Bay, BLDG MATLS (2) Evered Bardon, SWP, CHEMS (1) Hercules 7pc Pf., CONTG & CONSTRCN (3) Lon. & Clydeside, Try, Westport, ELECTRICALS (3) Bennett & Fountain, EMI AERO (1) S/A Aerospace, ENG GEN (3) Hopkinsons, Kleemar B, FOOD MANUF (3) Northumbrian, Sims, Tate & Lyle, Do. 7¼p Pf., Utd. Biscuits, FOOD RETAILING (1) Wardell Roberts, HEALTH & HSEHOLD (1) Lilly (Eli), HOTELS & LEIS (2) Castle Comms., Fairline Boats, INSCE COMPOSITE (1) Mitsui Marine, INV TRUSTS (4) Contra-Cyclical Inv., Dunedin Worldwide, Exmoor Dual Inc., Spanish Smaller Co's., MEDIA (3) Crown Comms., Fitch RS, Trans World Comms., MISC (1) Amberley, OIL & GAS (7) Aminex, Bridge Oil, Crusader, Lasmo, Benmo, Bespoke Res., Tullow Oil, OTHER FINCL (1) Lignerplo, OTHER INDL MATLS (1) Expamet, PROP (2) Estates & Gen. 6pc Pf., Herring Baker Harris, Markheath, McInerney, Wates City of Lon., STORES (4) Blacks Leis., Other, Ratners, Do. 8¾p Pf., TELE NETWORKS (1) Northern Telecom, TEXTS (1) Lowe (RH), TRANSPORT (2) Bergesen, Meyne Nickless, MINES (7) Beatrix Mines, De Beers Linked Units, Harmony, Mitsubishi, Mount Martin Gold, Normandy Poseidon, Willoughbys Cons. Pfd.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	28	20	33	110	115	180
Other Fixed Interest	0	2	13	10	20	53
Commercial, Industrial	299	240	901	986	2,035	4,183
Financial & Property	167	93	535	430	1,150	2,395
Oil & Gas	13	17	58	54	129	249
Plantations	0	0	9	1	1	43
Mines	31	17	103	117	174	472
Others	19	52	59	142	262	257
Totals	557	441	1,711	1,650	3,886	7,832

FINANCIAL TIMES STOCK INDICES

	June 19	June 18	June 17	June 16	June 15	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.73	88.75	88.76	88.74	88.70	83.81	89.62 (29/5)	85.11 (7/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.36	104.35	104.36	104.37	104.42	92.85	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	2008.6	1988.4	2022.1	2037.0	2026.4	1943.7	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	103.4	103.2	105.1	105.3	104.3	207.0	180.6 (10/1)	103.1 (11/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2584.8	2562.7	2586.4	2616.3	2593.6	2479.9	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1195.73	1186.54‡	1202.27	1207.66	1199.73	1182.33	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (18/1/91)
●Ord. Div. Yield	4.61	4.65	4.58	4.54	4.57	4.88				
●Earning Yld %(full)	6.77	6.82	6.72	6.65	6.70	8.61				
●P/E Ratio(Net)(☆)	18.50	18.36	18.65	18.83	18.70	14.29				
SEAQ Bargns 5.00pm	22,417	22,049	22,012	21,353	21,201	24,344				
Equity Turnover(£m)†	-	1030.7	868.8	909.1	681.2	803.85				
Equity Bargains†	-	26,079	24,084	24,465	23,814	24,366				
Shares Traded (ml)†	-	453.8	389.5	349.8	305.3	354.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.18 ‡ Partial.

Ordinary Share Index, Hourly changes Day's High 2008.6 Day's Low 1993.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1996.1	1993.5	1995.9	2005.7	2005.9	2005.9	2008.0	2006.0	2006.8

FT-SE 100, Hourly changes Day's High 2590.9 Day's Low 2573.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2574.8	2574.4	2577.3	2587.1	2587.2	2587.5	2590.7	2586.2	2585.1

FT-SE Eurotrack 200, Hourly changes Day's High 1198.95 Day's Low 1193.59

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1193.86	1194.87	1196.81	1198.94	1197.49	1198.47	1195.90

GILT EDGED ACTIVITY

Indices*	June 19	June 17
Gilt Edged Bargains	80.5	87.8
5-Day average	94.7	104.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS reported a busy session in the derivative market as both stock index futures and traded options saw the expiry of June contracts, writes Joel Kibazo.

The June contract on the FT-SE opened strongly at 2,576, but after a brief surge went into retreat and soon fell to 2,568 as its expiry at 10.10am approached, coinciding with the expiry of the FT-SE 100 index option.

Following the expiry of June, the September contract took centre stage and saw buyers which helped it advance from its 2,641 level at 10.30am. Profit-taking however caused a retreat in the new contract towards the close and September finished at 2,627, at a 43-point premium to cash and about 3 points above its estimated fair value premium to cash of about 40 points. Volume in September reached over 10,000 contracts. June closed with turnover of 2,695 contracts.

Traded options were also busy. Turnover reached 35,236 with the FT-SE option trading 12,314 lots. Bid speculation in Pilkington made it the busiest stock option and it had recorded a total of 4,218 contracts by the close.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday June 19 1992

Water	+	24.79	Industrial Group	+	7.10
Motors	+	24.52	Other Groups	+	7.04
Food Retailing	+	21.54	500 Share Index	+	6.57
Other Industrial Materials	+	19.30	Insurance (Composite)	+	6.32
Textiles	+	18.61	All-Share Index	+	5.02
Electronics	+	17.44	Chemicals	+	4.96
Engineering-General	+	17.21	Consumer Group	+	4.46
Capital Goods	+	14.87	Business Services	+	3.01
Packaging & Paper	+	13.56	Financial Group	+	2.81
Media	+	13.48	Contracting, Construction	+	2.80
Stores	+	11.73	Conglomerates	+	1.95
Merchant Banks	+	11.38	Food Manufacturing	+	1.39
Electricals	+	11.23	Telephone Networks	+	0.61
Brewers & Distillers	+	10.69	Insurance (Life)	+	0.45
Metals & Metal Forming	+	10.37	Investment Trusts	-	0.54
Transport	+	9.92	Oil & Gas	-	6.32
Electricity	+	9.64	Insurance (Brokers)	-	8.96
Banks	+	9.30	Health & Household	-	11.98
Building Materials	+	9.25	Property	-	18.57
Hotels & Leisure	+	8.32	Gold Mines	-	25.02
Engineering-Aerospace	+	7.13			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.6629	-0.075	8.82	8.88	9.10
BELGIUM		9.000	06/01	100.5500	+0.150	8.91	8.89	8.79
CANADA *		8.500	04/02	99.9800	+0.250	8.10	8.15	8.41
DENMARK		9.000	11/00	99.0500	-0.100	9.15	8.99	8.78
FRANCE	BTAN	8.500	03/97	98.1386	+0.204	8.98	8.94	8.70
	OAT	8.500	11/02	97.6300	-0.360	8.84	8.75	8.49
GERMANY		8.000	01/02	100.1200	-0.030	7.97	7.93	7.92
ITALY		12.000	05/02	95.8000	+0.480	13.30†	13.19	12.55
JAPAN	No 119	4.800	06/99	96.0495	+0.100	5.59	5.72	5.56
	No 129	6.400	03/00	104.3225	-1.280	5.60	5.46	5.46
NETHERLANDS		8.250	02/02	99.6600	-0.030	8.28	8.26	8.30
SPAIN		11.300	01/02	98.5000	+0.575	11.51	11.55	10.80
UK GILTS		10.000	11/96	102.9088	+01/32	9.17	9.17	9.14
		9.750	08/02	103.7813	+00/32	9.17	9.12	8.97
		9.000	10/08	99.5313	-02/32	9.05	9.01	8.85
US TREASURY *		7.500	05/02	101.8438	-15/32	7.23	7.27	7.22
		8.000	11/21	101.8375	-14/32	7.83	7.88	7.78
ECU (French Govt)		8.500	03/02	98.9800	-0.060	8.97	8.96	8.57

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Upbeat gold market moves higher

THE CAUTIOUS optimism that has crept into the gold market of late was underlined this week after the Belgian central bank announced on Wednesday that it had sold 202 tonnes out of its reserves.

In a bearish market that might have led to the ringing of alarm bells about the possibility of the move being emulated by other central banks. But in their present upbeat mood gold traders greeted news that such a large sale, completed two weeks earlier, had been carried through without disturbing the price trend as a testimonial to the robustness of the market.

The London bullion market price, which was already showing a gain of $2.30 *a troy ounce* on the week to date when the Belgian sale was announce, edged up 20 cents an ounce on that day and ended the week with an overall rise of $3.70 at $343.55 an ounce.

The earlier rise was attributed to constructive technical factors and signs that a support area was being established at $342 an ounce. Some traders noted, however, that short-covering purchases featured prominently in the recent rise and questioned whether that constituted a solid basis for a sustained bull run.

At the London Metal Exchange the main features of the week were Monday's action to end the *tightening squeeze* on nearby supplies of zinc and the consequent reduction in cash premiums.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+5,475	to 1,278,000
Copper	+975	to 263,750
Lead	+3,025	to 139,700
Nickel	+948	to 30,084
Zinc	+30,575	to 324,800
Tin	-50	to 12,930

With the cash premium over metal for delivery in three months having built up from zero to $190 a tonne in two and a half months the exchange stepped in to establish maximum daily premiums for the June/July period starting at $15 a tonne and ending at $5. A cash premium is normally *associated with supply* tightness, but the recent widening of the price gap had coincided with a rapid build-up in the exchange's warehouse stocks. That build-up accelerated dramatically this week with the stockpile, which was already at a record level, *rising* by an unprecedented 47,500 tonnes to 324,800 tonnes. But this came as no surprise to traders who are expecting even more metal to arrive before the middle of July to feed the squeeze.

With the prospects of handsome profits for delivering into the squeezed cash market disappearing holders of long positions have been flooding out of the market since Monday. By *yesterday's close the cash price* was quoted at $1,301 a tonne, $146.50 down on the week, and *the premium over three* months metal had shrunk to $103.50 a tonne. Traders said the market was beginning to reflect its poor fundamental background, which had been obscured by the squeeze, and suggested that the three months price might soon test support at $1,180 a tonne.

Tin was again the strongest LME market as more and more consumers gave up waiting for a reaction against the recent sustained price rise. After consolidating last week's gains prices moved to 25-month highs in mid-week and the three months quotation closed yesterday at $6,762.50 a tonne, up $270 on the week. Some traders expect an early test of resistance at $7,000 a tonne for three months tin, but others believe a downside correction is needed if the market is not to become overbought.

Aluminium prices extended *their decline as hopes of broad*-based economic upturn continued to fade. Cash metal lost $20 on the week at $1,251 a tonne, the lowest level for four months.

At the London Futures and Options Exchange the slide in coffee and cocoa prices continued but sugar futures were a little firmer.

The prospect of further producer selling, notably from the Ivory Coast, the biggest producer, sent the cocoa market to fresh 16½-year lows in midweek, before it ended with a slightly steadier tone. At yesterday's close September cocoa futures were quoted at £534 a tonne, £11 off the low but £11 down on the week.

Coffee traders, appearing to hold out little hope of significant progress towards reviving International Coffee Agreement price support at a producer/consumer meeting in London next week, marked the September futures price down by $21 on the week to $706 a tonne.

Sugar futures rose in line with the New York market, where buyers were encouraged by constructive chart signals and concern about nearby supply tightness. But profit-taking set in after the July price breached 11 cents a lb on Wednesday. London's October position, which reached $237.20 a tonne at one point, was quoted at $221.40 late yesterday, up $2.40 on the week.

Richard Mooney

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	251.0	251.0	267.1	-2.7	0.06
(Accum Units)	5	275.4	275.4	310.4	-3.2	0.06
British	5	847.3	858.7	908.5	+2.4	5.53
(Accum Units)	5	1420.9	1440.0	1523.6	+2.4	5.53
European	5	340.4	340.4	362.0	-1.0	1.45
(Accum Units)	5	349.0	349.0	372.4	-1.1	1.45
Japan	5	91.77	92.77	97.64	+0.07	-
(Accum Units)	5	92.50	92.50	98.42	+0.09	-
New Pacific	5	203.6	204.1	217.4	+0.3	1.61
(Accum Units)	5	210.7	211.2	225.0	+0.3	1.61
Investment Tst June 16	5	155.2	157.8	167.0	....	2.40
Mngd Equity	5	128.8	130.2	137.8	+0.6	2.82
Mngd Equity Acc.	5	136.7	138.1	146.2	+0.6	2.82
Mngd Cash	0	96.82	96.82	96.82	....	7.31
(Accum Units)	0	121.6	121.6	121.6	....	7.31
Majority Stlg	1	100.95	100.95	101.96	+0.09	6.97
Majority Stlg Acc	1	111.95	111.95	113.07	+0.09	6.97

Stonehaven Intl Inv Mngrs Ltd (1200)F

Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex

Enquiries: 0277 227300 Dealing: 0277 261010

International Jun 15	0	48.99	48.99	49.44	...	1.50

Sun Alliance Unit Tst Mngmt Ltd (1200)F

St Mark's Court, Horsham 0403 232323

Equity	6	623.9	625.9	667.3	+4.1	2.99
North America	6	73.42	73.42	80.66	-1.14	0.35
Far East	6	85.26	85.26	91.16	+0.36	0.54
W'wide Bond	6	47.03	47.03	50.03	+0.05	6.21
European	6	67.54	67.54	72.24	+0.29	1.54
Equity Income	6	67.93	67.93xd	72.65	+0.30	5.30
Portfolio	6	57.31	57.31	61.29	+0.27	1.75
UK Leading Cos	6	44.72	45.52	48.21	....	3.03
Sector Trusts						
Intl Equity	6	44.75	45.09	48.22	-0.16	2.83

Sun Life of Canada Unit Mgrs Ltd (1000)H

Basingview, Basingstoke, Hants 0800 525725

American Growth	6	24.49	24.49	26.20	-0.19	0.73
Managed Assets	6	101.96	102.59	109.75	-0.06	3.28
UK Income	6	31.30	31.40xd	33.60	-0.07	6.47
UK Growth	6	32.03	32.37	34.63	....	3.35
Worldwide Growth	6	22.61	22.61	24.19	-0.04	1.30

Sun Life Trust Mngmt Ltd

101, Cannon St, London EC4N 5AD

Admin & Enq: 071-606 4044 Dealing: 071-606 6010

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gr's
Property May 31	190.25	194.05		8.21
Equity May 31	922.95	935.85	...	3.76

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Charifund June 16		105.06	...	10.27
(Accum Units)		653.06	...	10.27
NAACIF Jun 16		42.00	...	8.95

Morgan Grenfell Investment Funds Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity † June 16	139.0	146.7	...	1.86
UK Small Co † June 16	542.2	593.7	...	3.37
Fixed Interest † June 16	110.2	116.0	...	8.62
US Small Co June 16	149.1	155.5	...	0.00
Managed June 16	112.0	119.0	...	3.58
Intl Bond June 16	120.4	127.1	...	10.10
Japan June 16	79.27	83.17	...	3.04
European June 16	92.07	98.54	...	1.70
Intl American June 16	107.5	119.7	...	1.56

Morgan Stanley International

	Bid Price	Offer Price	+ or -	Yield Gr's
UK Exempt	1151.05	1187.90	...	-
Overseas Exempt	982.71	1012.61	...	-

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
American Exempt	89.81	91.81	-0.36	1.85
European Exempt	51.44	54.02	+0.24	2.55
Fixed Int Ex Jun 17	46.40	47.36xd	...	9.06
Japan Exempt	34.94	36.34xd	+0.62	0.85
Managed Ex June 18	46.41	48.27	-0.38	4.05
SE Asia Exempt	79.71	83.70	-0.40	2.21
Sm Cos Expt Jun 17	37.21	39.07xd	...	3.09
UK Eqty Ex Jun 17	44.57	46.80	...	3.80

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Small Co's Jun 3	736.91	783.90	...	3.76
Do Accum	860.3	915.16	...	3.76
Int Expt Jun 11	184.54	188.59	-5.26	1.88
UK Index Jun 16	1209.35	1285.41	...	4.44
Do Accum	1416.17	1434.08	...	4.44
Convertible Jun 15	99.54	102.51	...	7.82
World ex UK Index Jun	718.87	727.01	-10.93	2.29

INSURANCES

Life Association of Scotland

113 Dundas St, Edinburgh EH3 5EB 031-550 5800

NEL Britannia Assce Co Ltd—Contd.

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	135.3	142.4	......	−
Property Acc. (Gross)	257.9	272.4	....	−
Equity (Gross)	886.3	933.0	−1.5	−
Managed (Gross)	618.3	650.8	−1.0	−
Property Acc. (Net)	123.3	129.7	......	−
Equity (Net)	205.5	216.3	−0.3	−
Adventurous Managed	93.2	98.1	−0.7	−
Managed (Net)	190.0	200.0	−0.3	−
Cautious Managed	95.8	100.9	....	−
International (Net)	160.8	169.3	......	−
Gilt & Fixed Interest	140.3	147.7	+0.2	−
Money Fund	139.6	146.9	....	−
Mixed Fund (Cap)	120.4	126.8	...	−
Mixed Fund (Acc)	124.8	131.4	.....	−

Pearl Assurance (Unit Linked Pens) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Ret Man (Series 1)	[illegible]	706.9	−0.2	−
Ret Man (Series 2)	227.8	239.8	.....	−
Ret Cash	196.6	206.9	.....	−
Pens Mixed Fd (Cap)	133.7	140.8	.....	−
Pens Mixed Fd (Acc)	138.7	146.0	.....	−
Pens Stlg Fd (Cap)	103.9	108.8	.....	−
Pens Stlg Fd (Acc)	107.1	112.8	.....	−

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271
Life Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Aggressive	102.9	108.3	−0.3	−
Managed Balanced	100.3	105.6	+0.1	−
Managed Cautious	112.1	118.0	+0.1	−
Pension Funds				
Managed Aggressive	108.0	113.8	−0.1	−
Managed Balance	105.2	110.8	+0.5	−
Managed Cautious	116.0	122.1	+0.4	−

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	133.0	140.0	−2.0	−
Building Soc. Fd	222.0	234.0	....	−
Balanced	276.0	291.0	+1.0	−
European	209.0	220.0	+1.0	−

Provident Mutual Life Assc. Assn.—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Index Linked Gilt Init	128.1	134.8	[illegible]	−
Overseas Equity Ord	260.2	273.9	+1.3	−
Overseas Equity Init	190.0	200.0	+0.8	−
Property Ord	222.1	233.8	+0.1	−
Property Init	162.2	170.7	....	−
Fixed Interest Ord	228.2	240.2	[illegible]	−
Fixed Interest Init	166.7	[illegible]	+0.2	−
Deposit Ord	186.7	[illegible]	.....	−
Deposit Init	136.4	143.6	+0.1	−
Pension Funds				
Managed Ord	462.4	[illegible]	+2.2	−
Managed Init	337.7	355.5	+1.6	−
Equity Ord	719.3	757.2	+5.3	−
Equity Init	525.3	552.9	+3.7	−
Pen Ind Lkd Gilt Ord	189.6	199.6	[illegible]	−
Pen Ind Lkd Gilt Init	144.6	152.2	[illegible]	−
Overseas Equity Ord	294.9	310.4	+1.6	−
Overseas Equity Init	215.4	226.7	+1.1	−
Property Ord	279.8	294.5	+0.1	−
Property Init	204.3	[illegible]	.....	−
Fixed Interest Ord	290.4	305.7	+0.3	−
Fixed Interest Init	212.1	223.3	+0.2	−
Deposit Ord	267.9	282.0	.....	−
Deposit Init	195.7	206.0	+0.1	−

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222
Prufund

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Jun 17	264.0	275.0	.....	−

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281
Prudential Managed Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Jun 17	£189.80	195.69	.....	−
Equity Jun 17	£220.80	228.33	.....	−
International Jun 17	£26.63	27.20	.....	−
Intl Bond Jun 17	£14.17	14.36	.....	−
Fixed Int Jun 17	£105.29	106.49	.....	−
Index Linked Jun 17	£77.56	78.54	.....	−
Property Jun 17	£109.66	115.74	.....	−
Cash Jun 17	£30.7023	30.7023	.....	−
Pre-Linked Retirement Plan				
Managed Jun 16	456.9	476.0	.....	−

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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Allied Dunbar Intl. Fund Mgrs - Contd.

Asset Global Funds Ltd (1200)

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Liberty ALL-STAR World Pfolio-Eqty Fd(s)

Lloyds Bank Luxembourg

Espirito Santo Investment Mngmt (SICAV)

Eurosa Management S.A.

Europe Plus Investissement (SICAV) (a)

Europe Value Fund (a)

Asian Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Global Asset Management - Contd.

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
North American (3-1)	$11.03	11.59	-0.08	-
Overseas (1-1)	$13.58	14.27	-0.32	-
Tiger (3-1)	$12.38	13.01	-0.39	-

The Vietnam Fund Limited

Lloyds Bank Fund Managers (Guernsey) Ltd

NAV May 31	$9.99		...	-

Wardley Investment Services Ltd

Wardley S.E. Asia Tst	$16.46	17.38	+0.05	0.88
Japanese Warrants	$3.03	3.22	-0.22	-
Asian Warrants	$12.14	12.86	+0.06	-
European Warrants	$3.44	3.77	-0.08	-
Managed	HK$11.36	12.03	-0.04	-
Private Capital Tst	$20.99		-0.02	-

Wellington Fd Mngrs (Bermuda) Ltd

Intal Growth Fd	$13.64	14.33	.....	-

Wells Fargo U.S. IT Fund

Wells Fargo A Shs (z)	$10.94		+0.02	-
Wells Fargo B Shs (z)	$10.63		+0.04	-

Worldwide Limited

NAV Apr 30	$77.69		.....	-

Xiphias International Investment Fd Ltd

Xiphias Int USD	$1.0910		.....	-
Xiphias Int ECU	Ecu1.0676		.....	-

Yamaichi Capital Mngmt (Guernsey) Ltd

Thai Inv Fund	$10 21		..	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ‡ Distribution free of UK taxes. ‖ Periodic premium insurance plans. s Single premium insurance. x Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

WORLD STOCK MARKETS

US MARKETS (3:00 pm)

June 19	US$	+ or –
AAR Corp	12⅛	–⅛
AMP Inc	58¼	+½
AMR Corp	64	+⅜
ASA	43	–1⅛
Abbott Labs	28⅛	+⅜
Acme Cleveland	7½	+¼
Advanced Micro	9½	+½
Aetna Life	40½	+⅛
Affiliated Publ	10⅝	+⅛
Aflac	28⅝	–⅛
Ahmanson (HF)	16⅛	...
Air Prod & Chemical	42½	....
Alberto-Culver B	22¼	+⅛
Albertson's	40	....
Alcan Aluminum	20¾	....
Alco Standard	39¼	–⅛
Alexander & Alex	21½	....
Alex & Baldwin	24¼	+⅛
Allegheny Power	43½xd	–⅛
Allied Signal	54⅝	–⅛
Aluminum Co of Am	74	–⅛
Amax	21⅛	+⅛
Amdahl Corp	15⅛	
Amerada Hess	47½xd	...
Amer Brands	45⅛	+⅛
Amer Cyanamid	54⅜	+1⅛
Amer El Power	32⅛	+⅛
Amer Express	23⅝	+¼
Amer Genl Corp	46⅝	...
Amer Greetings Cl A	38⅜	+⅛
Amer Home Pr	70⅛	+1⅜
Amer International	85¼	–⅜
Amer Natl Ins	40⅝	–⅛
Amer Stores	34½	+½
Amer T & T	42¼	+⅛
Ameritech	64⅛	+⅛

June 19	US$	+ or –
Corestates Finl	47⅜	+½
Corning Inc	37⅛	+2
Crane	24⅛	–1⅜
Cray Research	28⅜	–1⅝
Crown Cork & Seal	31¼	–½
Cummins Engine	69⅛	+1⅛
Curtiss-Wright	30½	....
Cypress Semicond	8½	+⅛
Cyprus Minerals	28½	+⅛
DSC Commun	4.62	+0.13
DQE	29⅞	
Dana Corp	43	–⅛
Data General	7½	....
Dayton Hudson	67⅛	+⅜
Deere	41⅞	+⅛
Delmarva Pow & L	22⅜	–⅛
Delta Air Lines	56⅛	–⅝
Deluxe Corp	43¼	–⅛
Detroit Edison	30⅝xd	...
Dial Corp Del	35⅜	+⅛
Diebold Inc	30¼	–⅛
Digital Comms	19⅜	–¼
Digital Equipment	36½	+⅜
Dillard Dept St	35⅛	+⅛
Disney (Walt)	36⅝	+⅜
Dole Food Inc	28⅝	–½
Dominion Res	38⅛	+⅛
Donnelley (RR)&Sons	53⅜	–⅛
Dover Corp	41⅛	–⅛
Dow Chemicals	57¼	–⅛
Dow Jones	31⅜	+⅛
Dravo Corp	8½	+⅛
Dresser	21⅜	+½
Dreyfus Corp	37⅞	+1⅜
Duke Power	34⅛	...
Dun&Bradstreet	54½	+⅛
Du Pont	50⅞	+⅜
E G & G Corp	21½	–⅜

[illegible]

WORLD STOCK MARKETS

AMERICA

Dow higher ahead of contracts expiry

Wall Street

US stock markets, aided by higher equity prices overseas, recovered from three days of losses yesterday, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 11.50 at 3,285.62 in heavy trading. Other leading indices were also notably firmer at the halfway mark. The more broadly based Standard & Poor's 500 was up 2.05 at 403.01, the Amex composite up 1.25 at 378.74 and the Nasdaq composite 2.56 higher at 551.86. Turnover on the NYSE was 140m shares.

After falling 80 points, or 2.4 per cent, in just three sessions, analysts were expecting the Dow to bounce back yesterday. Overnight gains on foreign stock markets provided the necessary excuse for a firm opening, and with many investors judging that domestic equities had been oversold in recent days, a steady stream of buyers lifted share prices across the board.

Some investors remained wary of the effect on prices of the afternoon "triple-witching hour", when futures and options contracts on stock indices and underlying stocks expire simultaneously.

Most of the leading stocks were higher in busy trade. IBM added $½ at $95⅝, Merck put on $⅝ at $48⅝, General Electric firmed $⅝ to $76⅝, General Motors rose $¾ to $43⅝ and Philip Morris climbed $1⅛ to $73¼ in turnover of 1.3m shares.

Dow Chemical fell $⅝ to $56⅞ on the news that its joint venture with Corning, Dow Corning, will take a $45m pre-tax charge for costs related to the discontinuation of its controversial breast implant product. Corning was untroubled by the news, and rose $1 to $36⅞.

Conner Peripherals slumped $2⅞ to $18⅞ in turnover of 1.6m shares after unveiling plans to expand its product line. The stock was also damaged by a downgrade from broking house Bear Stearns, which put the stock on its "hold" list.

IMC Fertilizer also bucked the trend, dropping $1⅞ to $44⅛ on a warning from the company that it expects fiscal fourth quarter net income to fall short of analysts' expectations, blaming depressed product prices.

EQK Green Acres fell $⅞ to $9½ after the company cut its quarterly dividend to 27.5 cents a share, from 34.5 cents a share, as part of a financial restructuring programme.

Telefonos de Mexico continued to recover from losses incurred earlier in the week on the heels of big declines in its home market. Telmex added another $1 at $48 in turnover of 2.1m shares.

On the Nasdaq market, Heart Technology plummeted $3⅛, or 21 per cent, to $11⅝, in heavy trading after the company asked customers to suspend use of its coronary rotablator after three such devices reportedly failed.

Going the other way were CK Federal Savings, up $2⅛ at $21⅛ on the news that SouthTrust had signed a letter of intent to buy CK Federal in a stock swap valued at $32.7m.

Canada

TORONTO eased as dealers wound up positions before the expiry of index options and futures in the US.

The TSE 300 composite index was 2.7 higher at 3,359.8 at midsession. Advances led declines 194 to 186 in volume of 13.9m shares valued at C$168.5m.

Heavy gains in Japan and London helped push the market ahead ahead at the opening, but traders said the mood remained negative.

Ireland stalled after GPA aborts take-off

Dublin's underperformance has caused brokers to cut their growth forecasts, writes **Tim Coone**

Dealers on the Irish stock market have been holding their breath for the past week, awaiting two of the biggest events of the year that could have made a significant impact on the market. As it happened, the effects of one cancelled out the effects of the other.

GPA's crash on take-off on Thursday has deprived the Irish market of what would have been its biggest quoted stock, boosting its current market capitalisation of I£7.9bn ($4.7bn) by some I£2bn.

The good news yesterday, however, was the approval of the Maastricht treaty in what was expected to be a cliff-hanger referendum. The fall on the Danish market following the 'no' vote there at the beginning of the month had created expectations of similar falls in Dublin and a slump in confidence if the vote went against the treaty.

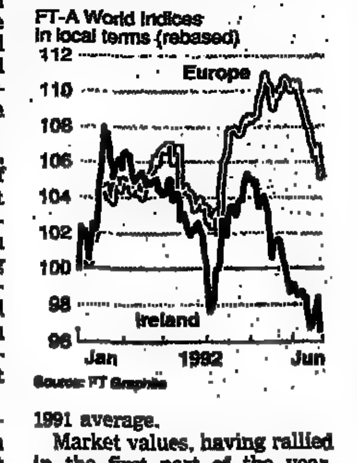
Share prices firmed yesterday as reports came in from around the country of what appeared to be a two-to-one vote in favour.

The failure of the GPA flotation had caused deep disappointment among brokers, institutions and corporate financiers who feel the market is too often viewed from abroad as a financial backwater, harbouring a few graceful swans but accompanied by a lot of unexciting ducklings.

As one broker said: "It is a problem of scale. No foreign institution is going to hold a significant chunk of Irish stock, and although there is interest in the bigger stocks, most feel they cannot justify a commitment of resources to specifically follow the Irish market".

Nonetheless, trading has been showing greater signs of life this year, following a decline in business towards the end of last year. According to Mr Tom Healey, the exchange's general manager, "the first quarter of this year has shown the highest level of business of any quarter since the beginning of 1990. This has been achieved without once-off 'boosts' such as the Greencore and Irish Life privatisations last year and the Iraqi invasion of Kuwait in August 1990".

Average daily turnover has averaged I£16.3m so far this year, 17.3 per cent up on the 1991 average.



Source: FT Graphite

Market values, having rallied in the first part of the year, have since slid back. The ISEQ index stood at 1,361.8, up 6.4 on the day but down 1.4 per cent from the end of 1991, and almost 10 per cent down on last year's peak of 1,510.

"The new finance bill this year has made bank deposits a lot more attractive than equity investments and there hasn't been the money flowing into the institutions," says an equity analyst at Solomon's stockbrokers in Dublin.

The bill has given a tax advantage to putting money into bank deposits, rather than into equity-linked savings and has created a furore in Dublin's financial community. Under pressure, Mr Bertie Ahern, the finance minister, has said that, in general, he will consider extending similar tax benefits "to certain types of investments".

Yesterday's slight advance in the ISEQ on the news of the referendum vote, was not as great as some had expected. "It's a small market and will take some time for it to digest the impact of the GPA flop," according to Solomon's.

Irish Life, Allied Irish Bank and Bank of Ireland, which together had hoped to dispose of some $18m of GPA shares in the aborted combined offer, all suffered falls on Thursday, and although they recovered yesterday the gains were not as great as most had expected, given the referendum news.

The underperformance of the Irish market has resulted in brokers revising downwards their bullish 15-20 per cent growth forecasts of earlier this year. Mr Kevin Barry, head of research at NCB stockbrokers, says, "I would be surprised to see it up by more than 10 per cent now, given there is only six months of the year left".

Brokers remain hopeful though, that foreign buyers will move in looking for bargains. "There is no fundamental problem of corporate earnings. The underperformance of the Irish market does make the stocks look increasingly cheap," says Mr Barry.

Gilts turnover continues to be by far the biggest business of the exchange amounting to I£20.2bn for the first five months of the year, or an average of I£195m per business day. Earlier this month the stock exchange introduced a new gilt turnover service, which is now publishing the daily turnover.

Mr Healey said that there had been resistance to publishing the figures, similar to that encountered when the equities turnover service was introduced. "The small size of the market here, and the dominance of a few big brokers and institutions made some people nervous that it might be possible to easily identify the source of any big movements of funds.

"Those fears disappeared though when we introduced the equities turnover service, and most people are pleased with the market's greater transparency".

EUROPE

Maastricht vote lifts continental bourses

SIGNS that Ireland had voted in favour of the Maastricht treaty gave a boost to most continental bourses, *writes Our Markets Staff.* Stockholm was closed for a holiday.

FRANKFURT, which had been closed on Thursday for a public holiday, saw out yesterday's quadruple witching hour comfortably, swelling turnover to DM13.9bn. The FAZ index shed 0.91 to 705.48 at midsession while the DAX was 1.11 ahead at 1,772.89: on the week the indices lost 0.6 and 0.5 per cent respectively.

The four contracts which expired simultaneously were the June DAX futures, options on the DAX future, options on 15 leading stocks and an option on the index.

Technical trading dominated the session while the lack of corporate news kept dealing fairly quiet. Fashion group Escada registered another steep fall, down DM30 to DM275. The stock has been declining since the death of the group's founder earlier this month. It has shed more than 50 per cent of its value since February when it attained a 1992 high.

Lufthansa gained DM4 to DM133 having fallen earlier in the week on worries that it might be affected by the transatlantic price war between airlines.

Schering lost DM7.90 to DM711.20 and Hoechst fell DM3.10 to DM256.00, while Asko was down another DM11 to DM749. BASF advanced 60 pfg to DM245 and later said that its east German subsidiary was expected to make another loss in 1992.

PARIS closed higher but off the day's best levels as Thursday's drop in the CAC 40 index below its 200-day moving average around 1,885 prompted investors to pick up bargains among the blue chips. The CAC 40 index went as high as 1,925.89 before closing up 22.12 at 1,913.92, for a fall of 0.7 per cent on the week. Turnover was steady at FFr2.7bn.

Among the most active stocks, Michelin added FFr5.70 or 2.9 per cent to FFr199 and Alcatel added FFr13 to FFr630. Saint-Gobain picked up FFr6 to FFr567 while Eurotunnel jumped FFr1.15 or 3.4 per cent to FFr35.30 on speculative buying.

MILAN ended slightly lower, but preliminary results from the Irish referendum in favour of European union lifted the market above its session lows. The lira, which had fallen earlier in the week on devaluation fears, also recovered strongly the mark in response to the Irish results. The Comit index closed 1.91 down at 469.88, 1.1 per cent lower on the week, in turnover estimated at around Thursday's L86.7bn.

Fiat, which had eased L33 to L5,315 lire at its official fixing, rallied to L5,425 after hours while Montedison, which shed L30 to L1,413 lire, bounced back to L1,432.

But Italcementi, weighed down by its capital increase, fell L17 to L10,383. The most heavily traded stock on the telematico was Pirelli which closed down L5 at L1,335 with 4.05m shares were traded.

AMSTERDAM was firmer with Philips shares regaining some of their value lost earlier in the week. The CBS Tendency index rose 0.7 to 126.5, but was down 2.3 per cent on the week.

A number of analysts remain positive on Philips, noting that while the consumer electronics division is suffering difficult trading conditions, other areas of the group, such as lighting, should contribute good profit growth in 1992. It ended up Fl 1.20 at Fl 31.10.

ZURICH gained ground in line with other bourses. The SMI index closed 6.8 higher at 1,869.3 but was 0.5 per cent down on the week.

Lower domestic interest rates helped financial stocks with Union Bank bearers up SFr10 at SFr3,710 and Swiss Bank bearers SFr4 higher at SFr264. Ciba-Geigy's registered share ended SFr30 lower at SFr3,250.

OSLO fell again on Friday, for the 14th consecutive session. Prices were up in early morning trade on news of a likely "yes" in the Irish referendum, but fell back later amid general pessimism. The all-share index was down 2.20 to 415.08, down 5 per cent on the week, in trading worth NKr381.6m.

Shipping stocks fell the most, with the index dropping 6.51 to 374.74. Bergesen A shares lost NKr3 to NKr95.5 while its B shares were down NKr2.5 to NKr96. The industry index, which includes oil stocks, dropped 2.43 to 715.01.

BRUSSELS closed slightly higher on a technical rebound as the Bel-20 index inched up 5.75 to 1,181.97, down 2.4 per cent on the week, in turnover of BFr753m.

VIENNA fell sharply at the opening but recovered some of the losses by the end of the session. The ATX index closed 4.62 lower at 972.18, down 2.1 per cent on the week.

MADRID's general index gained 2.98 to 249.49 for a 0.4 per cent rise on the week.

FT-SE Eurotrack 100 - Jun 19

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1152.85	1154.59	1155.69	1156.08	1156.51	1156.94	1154.02	1154.66

Day's High 1157.42 — Day's Low 1152.85

Jun 18	Jun 17	Jun 16	Jun 15	Jun 12
1145.88‡	1158.46	1165.38	1159.75	1167.48

Base value 1000 (26/10/90) ‡ Partial.

SOUTH AFRICA

Late buying interest helped blue chips recoup most of the week's losses. The gold index closed 25 higher at 1,157 to end up 4 per cent on the week and the industrial index rose 23 to 4,521. The overall index climbed 23 to 3,680.

ASIA PACIFIC

Nikkei rebounds 3% in thin trade

Tokyo

SHARE prices rallied on short-covering ahead of the weekend and on bargain hunting, and the Nikkei average gained for the first time this week, *writes Emiko Terazono in Tokyo.*

The 225-issue index recovered 474.31, or 3 per cent, to 16,519.87, after setting new lows for the year on Wednesday and Thursday. The Nikkei has lost 5 per cent on the week. The index opened at the day's low of 16,068.52 and reached the day's high of 16,544.66 just before the close.

Volume fell from 340m shares to 230m. Advances led declines by 759 to 200 with 142 issues unchanged. The Topix index of all first section stocks rose 21.63 to 1,267.27 and in London the ISE/Nikkei 50 index lost 1.59 to 991.69.

Life insurance companies placed buy orders at low prices, and investment trusts were seen index-linked buying. Market participants, who believed the Nikkei was oversold relative to the Topix, also bought back shares. Electrical blue chips, banks and brokers firmed on short-covering ahead of the weekend.

Sentiment was helped by government announcements of possible economic support measures prior to the summit of the Group of Seven industrialised nations next month. Reports that the government was considering a supplementary budget of Y8,000bn also helped confidence.

Lower interest rates raised hopes of an early credit easing. Short-term money market rates and bond yields fell on speculation that the weak stock market would prompt the Bank of Japan to lower the official discount rate.

The improvement in sentiment encouraged professional interest in theme stocks. Meiji Milk Products, the most active issue of the day, rose Y50 to Y1,030, while Morinaga Milk advanced Y13 to Y891.

Financials recovered from heavy selling earlier in the week. Nomura Securities advanced Y40 to Y1,270 and Mitsubishi Bank rose Y40 to Y1,510.

But Daikyo, the condominium builder, fell another Y36 to an all-time low of Y745. Although Daikyo officials have denied rumours of financial problems, investors have remained pessimistic about the company's business prospects because of poor conditions in the real estate market.

In Osaka, the OSE average rose 132.85 to 19,276.21 in volume of 16.7m shares.

Roundup

Some markets in the region improved in line with Tokyo.

HONG KONG recovered most of its early losses as the Hang Seng index closed down 8.50 at 5,787.60 for a fall of 0.5 per cent on the week. Turnover was HK$3.04bn.

Utilities and commercial and industrial issues fell but property stocks and banks bucked the trend. Hongkong Electric lost 30 cents to HK$18.30 while Hong Kong Telecom slipped 5 cents to HK$8.50.

SEOUL strengthened as many securities shares rose to their upper limits. The composite index gained 7.17 to 571.02, up 0.85 per cent on the week, in turnover of Won223.2bn.

KUALA LUMPUR was little changed in light trading. The composite index ended 0.08 higher at 596.58, a 1 per cent gain on the week.

TAIWAN continued its downward trend, the weighted index shedding 40.93 to 4,587.85, a 2 per cent fall on the week. Turnover was little changed at T$28.7bn.

MANILA's composite index lost 5.86 to 1,493.92, for a fall of 5.5 per cent on the week. Turnover rose to 293m pesos from 184m pesos. PLDT was affected by the overnight loss in the US and slid 45 pesos to 1,000 pesos.

AUSTRALIA's All Ordinaries index rose 9.0 to 1,633.9, but was 1 per cent lower on the week. Stocks that had fallen this week on downward revisions of forecasts recovered slightly. Pacific Dunlop added 9 cents to A$5.16.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 18 1992								WEDNESDAY JUNE 17 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	146.21	−0.3	116.20	117.14	118.96	128.95	−0.4	4.24	146.61	117.27	117.74	120.28	129.40	153.68	140.94	139.20
Austria (19)	171.53	+0.0	136.32	137.43	139.56	140.50	+0.0	2.09	171.61	137.26	137.82	140.79	140.50	186.70	162.48	187.44
Belgium (46)	141.41	−0.8	112.38	113.29	115.05	112.64	−1.3	5.42	142.58	114.05	114.50	116.97	114.10	146.19	135.87	127.42
Canada (115)	124.90	−0.6	99.26	100.06	101.62	108.26	−0.5	3.41	125.61	100.48	100.88	103.05	108.79	142.12	124.90	140.94
Denmark (35)	233.82	+0.8	185.83	187.34	190.25	191.84	+0.3	1.91	231.91	185.50	186.25	190.26	191.30	273.94	228.81	240.98
Finland (15)	76.21	−1.0	60.57	61.06	62.01	68.35	−1.5	2.07	77.00	61.59	61.85	63.18	69.39	89.80	73.64	102.41
France (104)	156.42	−0.1	126.70	127.72	129.70	131.91	−0.9	3.56	156.51	127.59	128.09	130.85	133.05	168.75	148.06	128.15
Germany (65)	*125.10*	*+0.8*	*99.42*	*100.24*	*101.78*	*101.78*	*+0.0*	*2.27*	*124.07*	*99.24*	*99.65*	*101.78*	*101.78*	*125.37*	*114.67*	*109.23*
Hong Kong (55)	244.89	−0.8	194.63	196.21	199.26	243.26	−0.7	3.37	246.81	197.42	198.21	202.49	245.01	254.67	176.36	150.59
Ireland (16)	158.42	−1.2	125.91	126.93	128.90	130.69	−1.8	4.16	160.31	128.23	128.74	131.51	133.11	173.71	151.78	144.37
Italy (78)	69.85	+0.5	55.51	55.96	56.83	61.93	−0.1	3.37	69.51	55.60	55.82	57.02	61.98	80.86	68.39	77.58
Japan (473)	96.01	−2.3	76.31	76.93	78.13	76.93	−2.5	1.11	98.29	78.62	78.93	80.64	78.93	140.95	88.70	130.63
Malaysia (69)	239.21	−0.9	190.11	191.65	194.62	231.89	−1.0	2.70	241.48	193.15	193.92	198.10	234.13	250.18	212.49	236.52
Mexico (18)	1412.34	−5.1	1122.45	1131.58	1149.14	4820.17	−5.1	1.19	1488.64	1190.74	1195.53	1221.28	5080.55	1789.77	1376.91	989.86
Netherland (25)	160.47	−1.0	127.53	128.57	130.57	129.16	−1.7	4.34	162.06	129.65	130.17	132.97	131.42	165.22	147.88	133.44
New Zealand (14)	46.02	−0.7	36.57	36.87	37.44	44.93	−1.0	5.04	46.34	37.06	37.22	38.02	45.37	48.52	42.01	47.63
Norway (23)	178.07	−0.7	141.52	142.67	144.89	147.98	−1.3	1.71	179.39	143.49	144.07	147.17	149.93	192.95	161.26	194.76
Singapore (38)	225.17	−1.3	178.95	180.41	183.21	169.26	−1.4	1.97	228.08	182.44	183.17	187.11	170.59	229.63	192.76	195.62
South Africa (61)	234.95	−0.9	186.73	188.24	191.16	184.40	−1.3	2.79	237.10	189.66	190.42	194.52	186.77	263.60	203.16	236.46
Spain (50)	153.87	−0.2	122.28	123.28	125.19	114.82	−0.8	5.30	154.17	123.32	123.82	126.48	115.74	161.72	146.86	147.49
Sweden (27)	192.08	−0.6	152.66	153.90	156.29	160.73	−1.2	2.76	193.30	154.61	155.24	158.58	162.75	200.28	173.09	188.47
Switzerland (63)	107.99	+0.0	85.82	86.53	87.86	94.60	−0.5	2.27	108.01	86.39	86.75	88.62	95.05	109.43	95.99	90.24
United Kingdom (227)	191.69	−0.6	152.34	153.57	155.95	152.34	−1.4	4.89	193.14	154.49	155.10	158.44	154.49	200.07	165.85	161.88
USA (522)	163.33	−0.3	129.81	130.87	132.90	163.33	−0.3	3.06	163.89	131.09	131.63	134.46	163.89	171.66	160.92	151.90
Europe (793)	152.57	−0.3	121.25	122.24	124.14	123.46	−0.9	3.96	153.00	122.39	122.88	125.53	124.64	156.88	139.31	132.64
Nordic (100)	176.97	−0.1	140.64	141.79	143.99	141.60	−0.7	2.30	177.11	141.67	142.24	145.31	142.54	188.52	169.66	181.49
Pacific Basin (718)	102.65	−2.1	81.74	82.40	83.68	83.46	−2.3	1.48	105.01	84.00	84.34	86.15	85.41	141.87	94.40	131.36
Euro-Pacific (1511)	122.94	−1.2	97.70	98.49	100.02	99.96	−1.6	2.71	124.41	99.52	99.91	102.06	101.60	145.21	113.80	132.20
North America (637)	160.92	−0.3	127.89	128.94	130.95	159.59	−0.3	3.07	161.48	129.17	129.70	132.50	160.14	169.69	158.70	151.13
Europe Ex. UK (566)	129.12	+0.1	102.62	103.47	105.08	106.72	−0.6	3.27	129.04	103.22	103.65	105.89	107.38	131.77	121.81	114.70
Pacific Ex. Japan (245)	170.00	−0.7	135.10	136.22	138.33	151.25	−0.7	3.54	171.12	136.88	137.45	140.40	152.28	175.31	149.00	138.31
World Ex. US (1705)	125.05	−1.2	99.38	100.19	101.75	102.31	−1.6	2.72	126.56	101.24	101.65	103.84	103.98	146.91	116.45	134.07
World Ex. UK (2000)	131.86	−0.9	104.80	105.66	107.30	117.93	−1.1	2.58	133.02	106.40	106.84	109.14	119.19	150.58	127.21	136.87
World Ex. So. Af. (2166)	136.37	−0.9	108.38	109.27	110.96	120.56	−1.1	2.88	137.54	110.02	110.47	112.85	121.90	153.05	130.04	138.44
World Ex. Japan (1754)	159.68	−0.4	127.06	128.11	130.10	146.62	−0.6	3.41	160.50	128.38	128.91	131.70	147.58	165.40	153.20	144.87
The World Index (2227)	137.01	−0.9	108.89	109.78	111.49	121.14	−1.1	2.86	138.20	110.54	110.99	113.38	122.48	153.70	130.66	139.08

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Latest prices were unavailable for this edition. Markets closed June 18: Austria and Germany.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		[illegible]	—	101¼	[illegible]	[illegible]	9.78
13½pc 1992		[illegible]	—	102¼	100⅞	[illegible]	9.65
Treas 8¼pc 1993		[illegible]	—	[illegible]	[illegible]	8.51	9.18
10pc 1993‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	9.43
12½pc 1993‡‡		[illegible]	—	[illegible]	[illegible]	12.13	9.42
Funding 6pc 1993‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¾pc 1993‡‡		105⅝	—	[illegible]	104⅛	13.02	9.40
8½pc 1994		[illegible]	—	[illegible]	95¼	[illegible]	9.17
14½pc 1994‡‡		[illegible]	—	109¼	[illegible]	13.49	9.39
Exch 13½pc 1994		[illegible]	—	[illegible]	[illegible]	12.64	9.30
Treas. 10pc Ln. 1994‡‡		101⅝	[illegible]	[illegible]	[illegible]	[illegible]	9.30
Exch 12½pc 1994		[illegible]	—	[illegible]	[illegible]	11.79	9.32
Treas 9pc 1994‡‡		[illegible]	[illegible]	[illegible]	96⅝	9.04	9.15
12pc 1995		[illegible]	—	[illegible]	103⅛	11.30	9.26
Exch 3pc Gas 90-95		92⅝	+⅛	[illegible]	89¼	[illegible]	6.49
10¼pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.22
Treas 12¾pc 1995‡‡		[illegible]	[illegible]	110¼	105⅝	11.58	9.22
14pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	12.31	9.42
9pc 1992-96‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.06
15¼pc 1996‡‡		[illegible]	—	[illegible]	[illegible]	12.86	9.40
Exch 13¼pc 1996‡‡		112⅝	[illegible]	112⅝	108½	11.79	9.36
Conversion 10pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	9.72	9.16
Treas 13¼pc 1997‡‡		[illegible]	—	[illegible]	[illegible]	11.60	9.36
Exch 10½pc 1997		[illegible]	—	[illegible]	[illegible]	10.01	9.18
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		95½	[illegible]	96	94	9.06	9.10
8¾pc 1997 D		95½	—	[illegible]	[illegible]	9.06	9.12
Exch 15pc 1997		[illegible]	—	[illegible]	[illegible]	12.24	9.50
9¾pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	9.52	9.17
Treas 6¾pc 1995-98‡‡		92⅛	—	[illegible]	[illegible]	7.33	8.80
15½pc '98‡‡		126⅝	[illegible]	[illegible]	[illegible]	12.18	9.44
Exch 12pc 1998		[illegible]	[illegible]	113⅞	[illegible]	[illegible]	[illegible]
Treas 9½pc 1999‡‡		[illegible]	[illegible]	102⅞	[illegible]	[illegible]	[illegible]
Exch 12¼pc 1999		[illegible]	[illegible]	[illegible]	109½	10.70	9.31

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.20
Conversion 10¼pc 1999		105½	—	[illegible]	[illegible]	9.72	9.20
9pc 2000‡‡		[illegible]	[illegible]	[illegible]	94⅛	[illegible]	[illegible]
9% 2000 C		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13pc 2000		[illegible]	[illegible]	121⅛	[illegible]	[illegible]	9.42
10pc 2001		[illegible]	[illegible]	106¼	[illegible]	9.64	9.18
14pc '98-01		[illegible]	[illegible]	121	[illegible]	11.66	9.50
9¾pc 2002		[illegible]	[illegible]	[illegible]	99⅝	9.39	9.16
9¾p 2002 C		[illegible]	[illegible]	[illegible]	[illegible]	9.39	9.16
10pc 2003		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.15
10pc 2003 B		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.17
Treas 11½pc 2001-04		112¼	—	[illegible]	[illegible]	10.24	9.41
Funding 3½pc '99-04		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.85
Conversion 9½pc 2004		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.14
9½pc 2005		102¼	[illegible]	[illegible]	[illegible]	9.25	9.13
Treas 12½pc 2003-05		[illegible]	[illegible]	124⅝	[illegible]	10.33	9.34
8pc 2002-06‡‡		91	—	[illegible]	88½	8.79	9.13
Over Fifteen Years							
Treas 11¾pc 2003-07		[illegible]	[illegible]	[illegible]	[illegible]	10.11	9.31
Treas 8½pc 2007‡‡		[illegible]xd	—	[illegible]	[illegible]	8.92	9.08
8½pc 2007 A		[illegible]xd	—	[illegible]	[illegible]	[illegible]	9.06
13½pc '04-08		[illegible]	[illegible]	[illegible]	[illegible]	10.45	9.34
9pc 2008‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.04	9.05
8pc 2009		90⅝	[illegible]	93¼	[illegible]	[illegible]	9.04
Conv 9pc Ln 2011‡‡		99⅝	[illegible]	[illegible]	[illegible]	[illegible]	9.04
9pc 2011 B		[illegible]xd	—	102	[illegible]	9.01	8.90
Treas. 9pc 2012		[illegible]	−⅛	102¼	[illegible]	9.04	9.04
9pc 2012 A (£35pd) ● E		[illegible]	—	[illegible]	50	–	–
Treas 5½pc 2008-12‡‡		66	[illegible]	69⅜	62⅞	[illegible]	8.94
7¾pc 2012-15‡‡		[illegible]xd	—	[illegible]	[illegible]	8.91	9.01
Exch 12pc '13-'17		[illegible]	[illegible]	[illegible]	120⅛	9.41	9.07
Treas 8¾pc 2017		97⅞	—	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		[illegible]	[illegible]	[illegible]	39⅞	9.34	–
War Loan 3½pc‡‡		[illegible]	—	[illegible]	[illegible]	9.17	–
Conv 3½pc '61 Aft.		[illegible]	—	[illegible]	59	[illegible]	–

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft.		31⅛	—	[illegible]	[illegible]	9.49	–
Consols 2½pc		[illegible]	—	27⅛	[illegible]	[illegible]	–
Treas. 2½pc		25⅛	—	[illegible]	[illegible]	[illegible]	–
Index-Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	127⅛	—	127⅝	122⅜	2.51	3.93
2pc '96	(67.9)	180	—	[illegible]	[illegible]	3.34	4.00
2½pc '01	(78.3)	[illegible]	[illegible]	[illegible]	143	[illegible]	4.36
2½pc '03	(76.8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.38
2pc '06	(69.5)	[illegible]	[illegible]	147⅛	[illegible]	4.14	4.37
2½pc '09	(78.8)	[illegible]	[illegible]	134¼	[illegible]	4.16	4.37
2½pc '11	(74.6)	[illegible]	[illegible]	[illegible]	129⅝	4.16	4.35
2½pc '13	(89.2)	113⅝	[illegible]	[illegible]	[illegible]	4.18	4.33
2½pc '16	(81.6)	[illegible]xd	[illegible]	[illegible]	[illegible]	4.14	4.30
2½pc '20	(83.0)	116¼	[illegible]	117⅛	[illegible]	4.13	4.29
2½pc '24‡‡	(97.7)	[illegible]	[illegible]	[illegible]	89⅝	4.16	4.24
4⅛pc '30‡‡	(135.1)	99⅝	[illegible]	99	96½	[illegible]	4.21

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1991: 135.1 and for May 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		[illegible]	[illegible]	[illegible]	105⅞	9.84	9.56
Asian Dev 10¼pc 2009		[illegible]	−⅛	[illegible]	[illegible]	[illegible]	9.40
B'ham 11½pc 2012		110	—	111	102¾	[illegible]	[illegible]
Ireland Cap 8½pc '10		[illegible]	—	[illegible]	88¼	9.39	–
9pc Cap 1996		98⅝	—	99¼	90	9.92	–
13pc '97-02		103⅞	—	115½	103⅞	12.52	–
Hydro Quebec 15pc 2011		138⅜	—	[illegible]	130⅞	10.84	10.38
Leeds 13½pc 2006		122¼	—	124½	116¼	11.04	10.48
Liverpool 3½pc Irred		32½	—	33¼	30	10.77	–
LCC 3pc '20 Aft		30¼	—	30¼	27	9.92	–
Manchester 11½pc 2007		106¾	—	110½	103¼	10.67	10.34
Met. Wtr 3pc 'B'		[illegible]	—	[illegible]	58	5.11	6.96
N'wde Anglia 3⅞pc 2021		110	—	118½	103¼	–	5.37
4⅛pc IL 2024		110	—	118¼	103¼	–	5.10
[illegible]		123¼	—	126	121½	[illegible]	12.97

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No. [illegible] of 1992
CHANCERY DIVISION
IN THE MATTER OF
PARTINGTON DEVELOPMENT COMPANY LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE is hereby given that a Petition was on 21st May 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Company's share capital from £1,581,813 to £1,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday, 29th June 1992.

ANY creditor or shareholder of the Company desiring to oppose the making of the order for the confirmation of the reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge of the same.

Dated this 20th day of June 1992
Norton Rose, Kempson House, PO Box 570, Camomile Street, London EC3A 7AN
Reference: AJFR/63/T103633
Agents for: Addleshaw, Sons & Latham, Dennis House, Marsden Street, Manchester, M2 1JD.
Solicitors for the Company.

In the High Court of Justice No. [illegible] of 1992
Chancery Division
IN THE MATTER OF
MORGAN GRENFELL INTERNATIONAL HOLDINGS LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 1st June 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £[illegible] to £5,639,667.

AND NOTICE IS FURTHER GIVEN THAT the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 29th day of June 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 12th day of June 1992
Slaughter and May,
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs......h	14⅞xr	+1/16	15¼	14⅝	12,838	2.3
♥Allegheny & W......	362p	—	335p	226p	156.9	5.6
Amdahl......	820p	+22	1158p	805p	924.6	0.7
Amer Cyanamid......	28⅝	−⅝	37	28⅝	2,622	3.2
Amer Express......	12½xd	—	13⅞	10[illegible]	5,902	4.5
Amer T & T......	22¾xd	−⅝	24⅞	20⅛	28,573	3.3
Ameritech......	34⅛	—	36[illegible]	32½	15,890	5.8
BankAmerica......	23⅛xd	—	27⅛	19[illegible]	7,931	3.2
Bankers NY......	25⅞xd	−1/16	37¼	26⅞	2,452	5.3
Bell Atlantic......	23⅞	—	28¼	23⅛	10,278	6.1
BellSouth......	28	—	29⅛	25	12,954	6.0
♥Bethlehem Steel......	8[illegible]xd	−1/16	9⅝	7	634.9	—
Bowater......	1124pxd	−18	1579p	1078p	405.0	6.0
CPC......h	23⅛	−¼	25⅝	22⅛	3,539	2.9
♥Cadiz Land Inc......	241p	−14	342p	168p	—	—
California Engy......	695p	−7	830p	635p	115.6	—
Campbell Soup......	17[illegible]	+1/16	23[illegible]	17⅛	4,288	2.5
Chase Manhattan......	14¼xd	−¼	16½	9⅛	2,803	4.7
Chrysler......	11⅜xd	+¼	11⅞	6¼	3,324	3.0
Citicorp......	11[illegible]xd	−1/16	11¼	5⅜	3,838	—
Colgate-Palm......	28½xd	−¼	29[illegible]	25¼	4,217	2.3
Cont'l Bank......	982p	−25	1036p	499p	812.5	3.7
Dana......	23⅛xd	−⅛	24½	14[illegible]	1,846	3.9
Data General......	484p	−13	1084p	404p	171.5	—
♥Decora Inds......	99p	−6	122p	66p	—	—
Dial......	18⅞xd	−1/16	24⅛	18⅞	757.7	3.3
Dun & Brad......	29⅛	+⅛	33½	27⅜	5,197	4.4
Eaton......	41½	−¼	40½	32½	1,413	3.0
Echlin......	9[illegible]xd	−1/16	11	7⅞	555.0	4.0
FPL......	18¼xd	−¼	20	18⅛	3,093	7.5
Fluor......	21[illegible]xd	−1/16	27	21	1,728	1.1
Ford Motor......	24⅞	−⅛	26½	15	11,616	2.3
Gen Elect......	40[illegible]xd	−⅛	45¼	40[illegible]	35,375	2.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.	99	—	107	83½	12.7	—	—
Cap	26	+2	42	12½	—	33.2	20.7
Stepped Pf.	140¾	+½	141¼	128	8.8	—	—
Zero Div Pf	165½	+½	166	166½	—	—	—
Warrants	4	-½	9	3½	—	—	—
Scot Value	83½	—	84	48	3.8	61.7	-2.1
Sec Alliance	1154	-1	1263	1138	4.8	1322.8	12.8
Second Market	235	—	244	222	0.8	283.3	17.0
Sec Tst Scot	68½	—	75½	63	8.3	72.5	5.5
Select Assets	90	—	102½	90	1.3	127.5	29.4
Eq Ind Serl	117	+1	123	109	4.8	—	—
Eq Ind SerII	117	+1	123	109	4.8	—	—
Shires	238xd	+1	249	195	18.3	235.7	-1.0
11pc Cv Ln '03/04	£114½	—	£119½	£96½	9.8	—	—
Stem Select	72	—	91	72	1.9	88.2	18.3
Warrants	13	—	21	13	—	—	—
Smaller Cos	81	+2	89	67	4.1	91.3	13.5
Warrants	16	-2	20	10	—	—	—
Sphere Inc	14	—	20	13½	28.5	20.0	32.5
Zero Div Pf	76	+½	77¾	65¾	—	—	—
Warrants	0¾	—	3½	0¾	—	—	—
Stratton	157	—	168	147	1.4	181.7	13.6
Sumit	56	—	66	38	3.8	109.4	49.7
TR City of Lon	120¼	+½	127½	97½	6.5	116.3	-0.8
TR Euro Growth	80	—	90	79	1.7	96.1	16.6
Ptg Sub	45	—	64	[illegible]	3.8	—	—
TR Far East Inc	90	+1	96	76	5.5	101.8	11.4
Warrants	14	+1	22	[illegible]	—	—	—
TR High Inc	106	—	[illegible]	91	7.5	102.6	-3.4
Sub	29	—	38	28	8.9	—	—
TR Pacific	88	—	90	71	0.4	96.5	8.8
TR Prop	21xd	+½	[illegible]	[illegible]	9.2	30.5	31.1

MERCHANT BANKS

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	32	—	34	26	58.7	—	—
Bwega 8pc Cn 2nd Pf	95xd	—	100	83½	11.9	11.2	—
9¼pc Non-Cum Pf	115¾xd	—	122¼	103¼	48.3	11.2	—
Brown Shipley	118	—	204	118	18.8	9.0	—
Close Bros.	248	—	267	245	92.4	4.7	11.1
Hambros	252xd	+1	292	215	438.6	7.3	9.2
7½pc Cv Pf	110	—	119	93	168.8	9.4	—
Joseph (L)	330	—	333	318	17.3	6.4	—
Kleinwort Benson	305	-3	324	212	896.5	7.0	21.6
Rea Bros	34	-½	37	28	13.3	2.0	—
Schroders	1318	-2	1365	1043	682.9	1.8	15.3
N/V	1125	-3	1158	883	147.7	2.1	13.1
Singer & Fried	44	—	50	37	84.6	7.6	9.7
Warburg (SG)	544	-1	606	445	1,101	4.4	10.9
6pc Cv Pf	191	—	204	150	81.3	4.2	—
Wintrust	220	—	253	213	18.7	5.8	♦

METALS & METAL FORMING

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	126	—	165	113	64.8	9.6	23.9
Apollo Metals	139	—	147	129	10.4	3.3	15.2
Ash & Lacy	164	-1	169	142	49.3	5.2	12.8
Barrett (H)	23	—	45	19	9.98	‡	53.2
Billam (J)	125	—	144	84	2.89	4.6	7.0
Brit Steel	71	+1	86	64	1,428	16.4	—
CI	28	+½	35	15	24.2	9.8	10.6
Castings	176	-1	195	118	37.6	3.1	♦
Chamber & Hill	118xd	—	149	90	8.62	6.8	♦
Cohen (A)	375	—	400	350	[illegible]	[illegible]	[illegible]
Cook (Wm)	253	—	335	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

MEDIA

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

TEAS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend June 20/June 21 1992

Neighbourly relations: Russian president Boris Yeltsin is greeted by Canadian prime minister Brian Mulroney on his arrival at a military base outside Ottawa, the Canadian capital. During his visit he intends to urge Canadian businessmen to explore actively the Russian market

US launches forum to reform Russian banking

By Alan Friedman in New York

A HIGH-LEVEL initiative to restructure the Russian banking and financial system and to explore the possible creation of a Russian-American investment bank was announced in New York yesterday.

The initiative, to be known as the Russian-American Bankers Forum, comes from the US Federal Reserve, the central banking system, and top advisers to Russian president Boris Yeltsin.

The forum, co-chaired by Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, and Mr Yuli Vorontsov, the *Russian representative to the* United Nations, will hold its first meeting in Moscow next Thursday.

Mr Corrigan said the new group had the full support of Mr Alan Greenspan, chairman of the Federal Reserve Board, and Mr Nicholas Brady, the US treasury secretary.

Mr Vorontsov said that restructuring the banking system would be "the mainstay of a new market economy". He and Mr Corrigan added that the eventual formation of a new Russian-American Investment Bank could help to channel US private sector capital investments in Russia and to lay the groundwork for the development of US commercial bank operations in Moscow.

Mr Corrigan said the initiative was the culmination of a series of informal co-operative ventures over the past 12 months, and was "based on a precept of private and public sector co-operation".

He said the forum, with secretariats in Moscow and New York, would provide policy and technical support for working groups of US experts who would report to Mr Yeltsin's aides.

Among the US members of the forum are Mr David Rockefeller, former chairman of Chase Manhattan; Mr Cyrus Vance, former secretary of state; Mr John Opel, former chairman of IBM; Mr John Whitehead, former co-chairman of Goldman Sachs; and Mr Richard Debs, ex-president of Morgan Stanley.

The first working group will give the forum details next Thursday of what is required to develop a Russian retail banking network, a payment system to steer the Russian economy away from its largely cash-based operations, the development of an interbank market and the creation of a market for government securities.

Other working groups that may be formed would deal with issues such as privatisation, direct foreign investment and the regulation of financial markets.

The US partners in the forum will include the financial Services Volunteer Corps, a technical assistance group chaired by Mr Vance.

Mr Corrigan said the forum would be financed jointly by the Russian government, the US Federal Reserve system, and by US banks and private sector companies that would pay the salaries and expenses of US participants.

The first working group includes present and former officials from the Federal Reserve Board in Washington, Federal Reserve banks in New York and Boston and US commercial banks including Morgan Guaranty, Chemical Banking, Citibank, Chase Manhattan, Bankers Trust, Bank of New York, and First National Bank of Chicago.

Kings of the bouncy castles set for a hard landing

By Christopher Price

HAS the bounce finally gone out of the market for inflatable castles? "Too many people have jumped on the bandwagon in the last two years," said one seasoned castle-maker, "and now there are just too many castles to go around."

Newspaper advertisements persuaded thousands of would-be entrepreneurs, many redundant because of the recession, to become self-employed hirers of bouncy castles, for which all they need is about £1,000, a car and a love of children.

Inflatables now appear regularly at service stations, fêtes and shopping malls, as well as at children's parties, as the legion of hirers seek fresh business in a market that industry observers estimate turns over £15m a year.

But margins have come under pressure as competition increased. A small bouncy castle for a private party typically costs up to £40. Now, prices as low as half that are being quoted in the scramble for business.

The popularity of inflatables has also caught the attention of the Health and Safety Executive which has issued a sombre document entitled New Guidance On Inflatable Bouncing Devices, after a flurry of minor accidents. Insurance rates for operators have risen accordingly.

In spite of these rumblings of pessimism, both manufacturers and hirers remain outwardly confident that the industry's *expansion can be maintained.*

"We've got hundreds of different types of inflatables, not just castles," said Mr Brian Turner, managing director of Bee-Tee inflatable products, of Wakefield, West Yorkshire.

Bouncy castles and other inflatables were imported from the US during the 1970s, mainly for use in fairgrounds. The past decade, however, has seen the reduction in size of inflatables and the development of what Mr Turner calls "a cottage industry" of producers and hirers.

While some insiders admit to a degree of saturation in the bouncy castle end of the market, the specialist larger inflatable business continues to grow.

"Companies and organisations are continually looking for something different to both entertain clients and advertise themselves," said Mr Mark Shears, general manager at Jumbo Inflatables, which supplies personalised bouncy inflatables for between £1,500 and £3,000.

A leading building society recently bought a 30-ft high Egyptian pyramid-style castle, British Gas an inflatable oil rig and a Scandinavian shipping group a bouncy cruise liner.

And while there may be an air of deflation over one side of the market, there is great excitement at the latest development which involves Velcro-wearing participants hurling themselves *at a wall of the same material* – contained within an inflatable structure – and hoping to stick. "This," predicts Mr Shears, "will be as big as bouncy castles."

THE LEX COLUMN

Lowered expectations

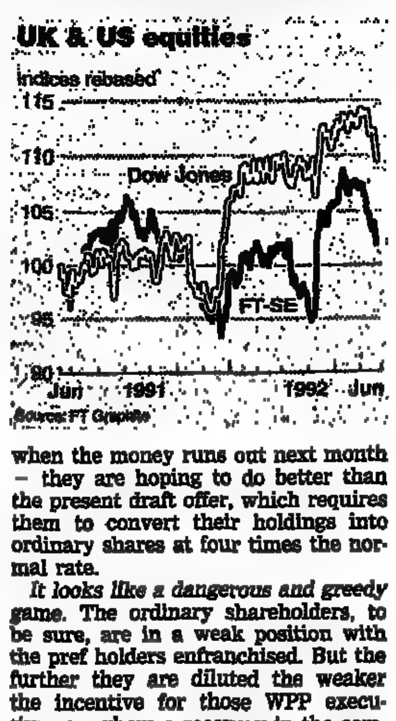
Thanks partly to Ireland's vote in favour of the Maastricht treaty, equities closed yesterday in better shape than some might have feared on Wednesday and Thursday. The Footsie shed only 19 points over the week, and there is some evidence of support below 2,600. This level hardly seems demanding on fundamental grounds, but it is still difficult to dismiss the array of negative factors confronting the market.

The most eye-catching of these – the GPA flop and the unsettled tone overseas – are not as immediately significant as ICI's sudden profits pessimism and 3i's postponed flotation. Both developments set the tone for a weak recovery which will do little for corporate earnings. Indeed, reaction to the ICI downgrading suggests that investors may remain too optimistic generally on the earnings outlook.

Any demand for equities now seems likely to favour companies which can demonstrate quality earnings with good cash flow and comfortable dividend cover. Investors who were reluc*tant to shell out for GPA will not* necessarily prove so cautious over Wellcome, but that does not imply much overall bounce for the market.

Inflationary pressures at the factory level may, as the CBI says, be at their lowest for 25 years, but that takes the market back to the kind of low-growth, low-inflation environment of the mid-1960s when equity prices only crept upwards. While investors adjust to that, there are few reasons for London to outperform if New York should take another turn for the worse.

FT-SE Index: 2584.8 (+22.1)



WPP

*As a rule companies do not like see*ing their accounts qualified by the auditors. But WPP may be an exception. Arthur Andersen's stark observation yesterday that a going concern basis may cease to be appropriate usefully underlines the urgency of agreeing terms for the marketing services group's capital reconstruction.

It has long been clear that WPP was heading for a mid-year crunch, precipitated by a combination of subdued cash flow from trading, earnout payments to executives of acquired businesses, and interest and debt repayment deadlines. Not for the first time in the history of once high-flying UK stocks, though, a group of preference shareholders is attempting to extract a better deal. Armed with a clear majority of the votes – and gambling that the banks will not dare pull the plug when the money runs out next month – they are hoping to do better than the present draft offer, which requires them to convert their holdings into ordinary shares at four times the normal rate.

It looks like a dangerous and greedy game. The ordinary shareholders, to be sure, are in a weak position with the pref holders enfranchised. But the further they are diluted the weaker the incentive for those WPP executives on whom a recovery in the company's fortunes ultimately depends. Nor are the existing terms exactly miserly, when compared with say the Brent Walker or Brown & Jackson schemes. Allowing for future earnouts, pref holders will control a bigger slice of the cake than they would under the original conversion, a cake which will be increased by the banks' £150m debt-for-equity swap.

In the absence of a Saatchi-style put option, the banks appear to have the whip hand. The effective preference offer of 35.3p per share compares with an average price over the last four months of 28.7p. With bank debt trading at 65 per cent of its nominal value, it would not do for the pref holders to push their luck.

Gilts

It looks as if overseas investors have been more grudging in funding Mr John Major than the gilt market originally thought. This week's provisional money supply figures suggest foreign purchases of gilts were only about £500m in May after £464m in April. That left domestic investors responsible for absorbing the vast proportion of gilts sold since the election, despite anecdotal evidence to the contrary.

The statistics may fail to capture the true picture. Some domestic buying may actually be for overseas accounts. Even allowing for that, however, the Bank's figures suggest that foreign buyers actively supporting the market before the election have become less interested since. Admittedly, domestic institutions have sufficient cash to cover the entire PSBR, but only at the expense of investment in equities.

The apparent lack of foreign interest in April and May suggests the yield margin between gilts and German government bonds became too narrow after the election. Presumably domestic buyers were motivated less by the convergence theory on European interest rates and more by the belief that a new Tory government would sacrifice growth in the fight against inflation. The margin over German paper will have to rise above its current 135 basis points to entice foreign investors back in a sizeable way. Even if only modest inflows are required, it cannot go much lower. The Irish vote *on Maastricht went the market's* way, but nervousness will remain till September's French referendum.

Lloyd's

It looks as though perhaps a sixth of Lloyd's Names will bear three-quarters of the £2bn of 1989 losses which the insurance market is expected to announce next Wednesday. Those getting off lightly will no doubt sleep easily this weekend – but they should be under no illusion that the burden sharing threat has permanently been headed off. A formal bail-out fund has indeed been abandoned, but given the *hugely disproportionate share of the* risks many Names will genuinely be unable to pay. Although the Central Fund has already been topped up to £1bn to deal with such eventualities, a further call on members' pockets one day cannot be ruled out.

Individual hardship aside, the important issue is whether Lloyd's will remain a dominant force in the 1990s. As Names defect, there are obviously question marks over the market's medium-term capacity and its ability to retain critical mass. The gloom, however, should not be overdone. The capping of losses will ulti*mately make Lloyd's more attractive,* and corporate capital will doubtless be tapped. Moreover, some sort of correction was not only inevitable but desirable after the overcapacity of the 1980s.

CBI chief warns of 'hesitant' recovery

Continued from Page 1

found that 28 per cent of companies expected to increase output in the next four months against *20 per cent that predicted a cut.*

The resulting balance, indicating the trend, was a positive 8 per cent compared with 13 per cent in May and 5 per cent in April. The survey showed 13 per cent of companies planned to cut prices compared with 9 per cent intending rises. The resulting 4 per cent negative balance indicated the weakest producer price expectations since October 1966.

Gallup's survey of nearly 2,000 people in the first two weeks of June showed the balance of respondents expecting the economy to improve over the next year dropped from 30 per cent in May to 13 per cent. It also noted a big increase in the balance of people expecting increased unemployment and a deterioration from 14 per cent to 5 per cent in the balance expecting their financial situation to improve.

MP says secret trusts are Maxwell's real 'last will'

Continued from Page 1

ifornia computer games company Sphere, which continues to trade.

In the will, Mr Maxwell left a total of £2m to family and friends with the rest of his personal estate going to causes such as medical research.

Any bequests seem certain to be challenged by creditors as soon as it has passed through probate.

Mr Field said yesterday that if he is chairman when a new social security select committee is set up he will ask Dr Werner Rechsteiner, a Swiss lawyer who worked for Robert Maxwell, to give evidence. He believes Dr Rechsteiner might be able to clarify the intentions of Robert Maxwell over the trusts.

Meanwhile National Westminster bank said yesterday that it was planning to return shares worth £33m to the Maxwell pension funds.

NatWest holds the shares in the Israeli company, Teva Pharmaceuticals, as collateral against $27.3m loans to Robert Maxwell.

On June 10 it applied to the High Court to decide whether the shares belonged to the pension funds or to the Maxwell private companies.

Though the case has not yet come to court, NatWest said last night that talks between itself and the Maxwell private companies, the pension funds, and the administrators had gone well. It expects to be free to release the funds soon.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Falls			
Asko	749	−	11
Douglas Hldgs	560	−	13
Heideib Zem	931	−	21.5
PWA	256	−	5.5
Rheinelektra	1095	−	35
Schmalbach Lubeca	556	−	13
New York ($)			
Rises			
CK Federal Savings	21¼	+	2⅞
Philip Morris	*73⅛*	+	*1⅛*
Falls			
Conner Peripheral	18⅜	−	2⅝
EOK Green Acres	9½	−	⅞
Heart Technology	11⅝	−	3⅛
IMC Fertilizer	44⅛	−	1⅛
New York prices at 12.30pm			
Paris (FFr)			
Rises			
Alcatel Alsthom	630	+	13
Canal	1182	+	31
EBF	679	+	19
[illegible]	491	+	23.1
Radiotechn	557	+	12
Schneider	645	+	18
Tokyo (Yen)			
Rises			
Heiwa Real Estate	644	+	53
Mitsubishi Rayon	346	+	31
Oki Electric Cable	448	+	41
Pioneer Electronic	3410	+	280
S'tomo Spl Metals	*1120*	+	*110*
Tokyu Dept	549	+	49
London (Pence)			
Rises			
Aviva Petroleum	61	+	7
Barclays	345	+	11
Berry Birch Noble	105	+	5
[illegible] TV	105	+	5
Danka Business	249	+	10
[illegible]	*82*	+	*5*
Fairline Boats	217	+	25
Gen Accident	490	+	17
Granada	267½	+	14½
Ladbroke	217	+	9
London Intl	229	+	10
Ocean Group	*278*	+	*12*
Pilkington	137	+	6½
Psion	157	+	6
Total Systems	52	+	8
Vosper	345	+	14
Wace	131	+	9
Falls			
Br Aerospace	267	−	10
Evered Bardon	60	−	8
ICI	*1217*	−	*18*
Learmonth Burchett	71	−	12
Ratners	10	−	2½
Trans World Comms	55	−	7

World Weather

UK Today: Generally dry and cloudy with the best sunny spells in south-east England and Wales. Heavy showers expected in Kent and drizzle in north-west Scotland. Winds will be fresh to strong winds in southern England.

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Cairo	S	35	95	Inverness	C	15	59	Milan	R	17	63	Salzburg	S	19	66
Ajaccio	F	23	73	Cape Town	S	23	73	Isle of Man	C	15	59	Montreal †	S	20	68	S'Francisco †	C	13	55
Algiers	S	25	77	Cardiff	F	18	64	Istanbul	S	23	73	Moscow	F	23	73	Seoul	C	24	75
Amsterdam	R	18	64	Chicago †	C	20	68	Jersey	S	16	61	Munich	R	14	57	Singapore		–	–
Athens	F	25	77	Cologne	C	15	59	Johannesburg	S	18	64	Nairobi	F	25	77	Stockholm	F	21	70
Bahrain	S	36	97	Copenhagen	S	21	70	Las Palmas	F	24	75	Naples	F	23	73	Strasbourg	F	17	63
Barcelona	F	22	72	Corfu	F	24	75	Leeds	F	15	59	Nassau		–	–	Sydney	S	16	61
Beijing	S	32	90	Dallas †	C	27	81	Lisbon	S	25	77	Newcastle	F	13	55	Tangier	F	22	72
Belfast	S	16	61	Dublin	C	16	61	Locarno	C	21	70	New Delhi	S	36	97	Tel Aviv	S	29	84
Belgrade	F	24	75	Dubrovnik		–	–	London	R	14	57	New York †	C	20	68	Tenerife	F	24	75
Berlin	S	25	77	Edinburgh	C	14	57	Los Angeles †	S	15	59	Nice	F	23	73	Tokyo	C	21	70
Biarritz	S	18	64	Faro	S	21	70	Luxembourg	C	12	54	Nicosia	S	25	77	Toronto †	C	18	64
Birmingham	F	16	61	Florence	F	22	72	Madeira	F	21	70	Oporto	F	21	70	Tunis	F	28	82
Blackpool	F	19	66	Frankfurt	R	12	54	Madrid	S	25	77	Oslo	F	21	70	Valencia	S	27	81
Bombay		–	–	Geneva	C	16	61	Majorca	F	23	73	Paris	F	15	59	Vancouver †	S	13	55
Bordeaux	C	18	64	Gibraltar	S	24	75	Malaga	S	32	90	Perth	F	19	66	Venice	S	25	77
Boulogne	R	12	54	Glasgow	S	21	70	Malta	F	24	75	Prague	F	21	70	Vienna	C	23	73
Bristol	F	17	63	Guernsey	C	14	57	Manchester	S	17	63	Reykjavik	Dr	7	45	Warsaw	S	25	77
Brussels	R	12	54	Helsinki	S	20	68	Melbourne	C	14	57	Rhodes	S	27	81	Washington †	F	22	72
Budapest	*S*	*26*	*79*	*Hong Kong*	F	30	86	*Mexico City*		–	–	*Rio de Janeiro*		–	–	Wellington	F	10	50
Buenos Aires		–	–	Innsbruck	R	12	54	Miami †	S	24	75	Rome	F	23	73	Zurich	C	12	54

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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Weekend FT

SECTION II

Weekend June 20 / June 21 1992

Two eminent Victorians were at the centre of a literary plot that was a national scandal. ***John Kitching*** *tells the story*

A long tradition of subtle, ingenious forgery

IN 1894 a first edition of Elizabeth Barrett Browning sonnets came to light, having apparently languished unseen *for more than 40* years. As a ripple went through the *literary world few realised that it* was just part of a complex mystery, *far exceeding* – in the *judgment* of the writer Bernard Levin – anything conceived by Agatha Christie. And at the centre of the plot were two eminent Victorians.

Harry Buxton Forman seemed a model of propriety. He was in charge of Packet Services at the Post Office and an editor of Keats and Shelley. But he was also a dedicated and skilled literary forger.

Forman did not pursue his dark craft alone. His accomplice was Thomas James Wise, 17 years his junior, a hard-headed London commodity dealer who specialised in essential oils. Wise was president of the Bibliographical Society and was said to have one of the finest private libraries in the country.

Together they invented a new genre: creative forgery. Book forgers usually copy great works, but Forman and Wise created books and editions *after* the event to fill a persuasive niche. They were perhaps bibliographical rather than literary forgers. There are similarities with Piltdown Man: a missing link between man and monkeys is predicted and then conveniently found. *The forgers' extraordinary conspiracy is now described in a new biography by John Collins**.

For both men, and particularly *for Wise, the purpose was serious*: to make money. In the heyday of *Victorian capitalism* Wise saw a product to corner the market. And *Forman, who wrote of his legitimate literary works: "My style of writing is not what turns well to* the making of pots of money," knew *the serious cash lay elsewhere.*

Some literary figures suspected Forman and Wise were up to something. But the two were not finally *unmasked until 1934, by which time* Forman had been dead for 17 years.

Forman was born in 1842 in the west country and joined the Post Office in London in 1860. In his spare time he was a poetry critic and, along with Trollope, ranks among the Post Office's literary luminaries. He lived in some comfort in Camberwell, was married to Laura, and knew George Eliot.

Wise came from more humble origins, but was a successful broker and lived in Islington. For some time he had admired Forman's scholarship from afar, but it was to be several years before the two met and conspired. Both were members of the Browning Society: Forman was a founder, and Wise joined in 1882. Both were also to become members of the Shelley Society. A closer relationship seemed inevitable, and in January 1886 Wise, then 27, was invited to Forman's house.

By this time, Forman's literary reputation was considerable. He had begun modestly in 1869 with an article on D G Rossetti published anonymously in Tinsley's magazine. Slowly but surely his name became part of the literary scene. In 1871, Tinsley published Forman's first book "Our Living Poets," and 10 years later he took his first steps into forgery. His method then was to determine the course of the extraordinary forging operation.

Richard Hengist Horne, an eccentric poet and one of the subjects of "Our Living Poets", had written in 1867 an odic cantata for the Duke of Edinburgh called "Galatea Secunda". It was never published. In 1881, Forman published it with a "Melbourne, 1867" imprint. The first edition imprint, albeit of false provenance, increased the value considerably. Their subtle game was afoot.

There is no indication that Horne ever saw the edition: if he did, perhaps he thought of it as a quaint conceit, suggests Collins in his book. When Horne died in 1884, Forman was left all Horne's books and papers and appointed his literary executor. He later sold many of the works, including Lot 108 which contained "Galatea Secunda" "privately published in Melbourne 1867". He netted £200, about half his annual salary. He had started to make money as a forger.

By the time Wise arrived on his doorstep in 1886 Foreman was ready for a full-scale conspiracy. The idea was immensely seductive to Wise. "The cost of 30 or 40 copies of a slim pamphlet might be *£6 or £7*; the unit cost therefore about 3s 6d or 4s: and one copy could sell for £100 [about £1,500 today]. This was one of the most attractive commodities Wise had dealt in."

Collins suggests that while Wise entered his new role with alacrity, Forman, though at first helpful, was later dragged kicking and screaming in his wake. "But once in the secret he could not get out: Wise had the drop on him."

The forging began in earnest, using as a printer Richard Clay of Bread Street Hill in the City of London. J R Maylett, foreman at Clays, may have known something was amiss (perhaps he was bribed, suggests Collins) but to Cecil Clay, managing director, Wise was just another customer.

First a collection of Robert Browning poems was reprinted with a false imprint giving a date before the poems were written, then some Elizabeth Barrett Browning sonnets were given the Forman-Wise treatment. A selection of George Eliot sonnets, first printed in 1874, was *reprinted by the forgers* in 1887 bearing an 1869 imprint. Wise added a bogus note of provenance to many of these works. Tennyson's "The *Last Tournament*" was published in 1896 but bore an inscription handwritten by the supposed printer: "Not more than 20 copies. Strahan – *Ludgate Hill, 1871.*"

However, at least one bookseller, Bertram Dobell, had doubts. In 1888 he wrote: "Shelley Society meeting: Wise is still proceeding on his wild career of reprinting or pirating Browning."

By 1890, Swinburne, Ruskin, William Morris, Tennyson and Thackeray had been subjected to the forgers' treatment. Several fake volumes were sold to the British Museum.

Perhaps the most celebrated forgery was of Elizabeth Barrett Browning's so-called "Reading sonnets". It was, writes Collins, "a daring stroke which showed how high the forgers' confidence was rising. By forging Browning's sonnets Wise and Forman were tampering with the most celebrated literary love story of Victorian England." They published the poems in 1894, bearing the imprint "Reading, 1847".

For more than 40 years it had been believed that the first publication of the sonnets was in Elizabeth's "Poems" of 1850. But in March 1894, a note appeared in an obscure Philadelphia literary journal saying a Browning rarity had turned up: an 1847 edition of the sonnets. In spite of the Reading imprint there was no printer's name and nothing to indicate it had been produced in that town. It had, of course, been designed by Forman and Wise and printed by Clays in the City.

Yet few eyebrows were being raised at the plethora of pamphlets and books produced by Forman and Wise. There was to be some minor sniping at the forgeries from about 1909, but nothing serious.

It was much later, in the 1930s, that the two forgers were unmasked. Their downfall was brought about by two young booksellers, Graham Pollard and John Carter. Pollard, a colourful character, claimed to have got an Oxford half-blue in spitting, achieved by beating Evelyn Waugh over a 10ft distance. Carter had been a scholar and taken a double First in Classics.

Carter was soon on the case of the Reading sonnets: he knew there was no copy in Browning's library; no copy in an old binding; and no copy with any signature inscription or mark of provenance before about 1900. But this was all negative evidence. It was Pollard who gathered the positive evidence through research into the chemical history of 19th-century paper. Analysis of paper from an edition of the sonnets owned by a Flora Livingston showed it contained a significant proportion of chemical wood pulp: a substance not used in England until 1874. The book could not have been published in 1847.

Carter tried writing to Wise, but the reply he received was of a vague general and dismissive nature. But it was the beginning of a dogged process which was to assume the working title of "Wise-cracking" and the Reading sonnets remained the cornerstone of the investigation.

By June 1934, the embattled Wise faced ruin. News placards in the street read: "Famous books denounced as forgeries" and "Faked *First Edition Sensation*". The articles were based on a book by Carter and Pollard with the gentle, donnish title of "An Enquiry into *the Nature of Certain 19-Century* Pamphlets." In the book, all paths seemed to lead to Wise's door: but without absolute proof they couldn't name him *as* the forger. Carter and Pollard wrote: "Mr Wise *by his credulity, by his vanity in his* own possessions, by his dogmatism, *by abuse of his eminence in the* bibliographical world, has dealt a blow to the prestige of an honourable science, the repercussions of which will be long and widely felt . . ."

The *Daily Herald* newspaper despatched a reporter to track down Wise: again his defence was unconvincing – and he tried to put the blame on Forman. Three years later, Wise too, was dead.

Wise and Forman are part of a long tradition of literary forgers: Thomas Chatterton, piler-up of poetry, William Henry Ireland (who as Shakespeare got his play "Vortigem" on to the stage – although without success) and John Payne Collier, Shakespeare's dodgy biographer. Perhaps Bernard Shaw's view that the whole thing should be treated as a joke is the right one. Did not the rich book collectors deserve to be humbugged by the forgers? asks Collins in his book. The fact remains that Wise and Forman acted illegally, defrauding both buyers and authors.

To the end, Forman, the poetry critic, wrestled with his conscience, as his literary reputation began to suffer. In contrast, Wise, "who did not know the prick of conscience" was defending himself on his deathbed thus: "I am an old man with the crematorium facing me . . ." His final words were, perhaps, an admission that the fraud was too complicated to describe even in the throes of death.

■ **The Two Forgers, a biography of Harry Buxton Forman and Thomas James Wise by John Collins; Scolar Press, Gower House, Croft Road, Aldershot, Hants GU11 3HR. Price £27.50.*

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Bonds lead the asset race

SO THE Nervous Nineties are proving . . . well, nervous. As the Tokyo stock market plumbed new lows this week, and New York and London wobbled, those wonderful 1980s seemed a long way away. Not that it should really come as any surprise to investors. The extraordinary returns during the 1980s, especially on equities, could not be sustained. The 1990s had to be different.

It may seem a little premature to make a statistical assessment of just how different, but within a few days, believe it or not, we shall be a quarter of the way through the decade. How are the numbers shaping up?

First, a reminder of the joys of the 1980s. For the UK investor, domestic equities stood out, returning almost 24 per cent a year on average in combined income and capital gains to the tax-exempt investor. Overseas equities returned almost exactly the same. British government bonds lagged a long way behind at just under 15 per cent – still a good performance in relation to average annual inflation of 6.9 per cent. Finally, money market deposits delivered a return of 12 per cent on average.

As at 1992½ the 1990s, however, are shaping up as the decade of bonds. If you look at sterling bonds there was a reasonable positive return in 1990 at a time when shares were experiencing their first calendar year decline since 1976; and although UK equities were strong last year – returning 20 per cent for UK pension funds according to the WM Company, the performance measurement specialists – the pensions' fund sterling bond portfolios were almost as successful, returning 18 per cent. So far this year, after the recent *stock* market retreat, bonds have their noses in front.

Put all this *together* and *after* 2½ years sterling bonds are showing an annualised return of some 14 per cent, while UK equities have only been able to manage about 5 per cent, and overseas equities a seriously disappointing minus 1 per cent or so. *Note*, however, that money market deposits are showing strongly with 13 per cent, although fading a little this year.

In fact the past 2½ years have by no means been all bad for equities – the All-Share Index showed a rise in the year ended September 1991 of 32 per cent – but there *have been* some bad patches too, notably during the worst of the Gulf crisis.

There are two main motors for share prices. They are buoyant when monetary factors are positive, notably the money supply is growing fast and interest rates are falling. They also rise when the company sector is prospering and is pushing up its profits and dividends strongly. In the classic cycle the first phase tends to lead to the second, *in successive legs of a bull market.*

In recent years, however, these positive factors have been weak. *Profits, of course, have been under* pressure in the UK and the US for several years and are now crumbling in Japan and much of Continental Europe *too. True, interest rates have been falling*, especially short-term rates, and *this has pushed up the US stock market* in particular. But low interest rates *have not been reinforced by a buoyant* money supply. Meanwhile in Tokyo, the *deflation of the extraordinary 1980s* bubble continues inexorably. This process has failed to affect other markets until now, but the stability of the Japanese financial system is now on the line and Wall Street has itself become high-priced enough to be vulnerable.

In normal conditions you would expect both bonds and equities to benefit from an easier money environment in which short-term interest rates were falling; but equities would benefit more because they are riskier securities which are more sensitive to economic conditions. Indeed, equities have been quite volatile *at times during the past* 2½ years, but overall they have failed *to perform* as well as bonds because of lack of support from the corporate fundamentals. The big broking houses have been energetically trying to compensate by forecasting big earnings recoveries just around the corner. Indeed profits may be picking up modestly in the US but in Britain the evidence is very scanty.

In some respects the recessionary background in the UK has been rather similar during the past two years to that at the start of the 1980s. But then, the returns were flattered by high inflation, and the fundamentals were more attractive, with a dividend yield between 6 and 7 per cent, for instance, against under 5 per cent at present. Even so, the stock market was *sluggish* in the early part of 1982, only to surge later in anticipation of strong profits recovery in 1983.

Can *history repeat itself? British* pension fund managers certainly seem to *think that* the pattern of asset returns has been anomalous in the 1990s so far. They have been *piling ever more* heavily into equities. At the start of *1990* the typical fund, according to the rival measurement service Caps, had 81 *per cent in equities, while at March* 1992, the latest available date, it had an 84 per cent exposure. Last year these professional managers were directing *funds* with particular *enthusiasm into* overseas equities, especially Japanese.

It is hard to change a strategy which has worked *for* many years. But the high stock market returns of the 1980s – *at any rate* the latter years – were in part the consequence of the growing indebtedness in many leading economies which not only boosted activity (and therefore profits) but also at times led to the creation of euphoria and asset price bubbles; GPA would have been enthusiastically welcomed by the market in 1986 or early 1987, for instance.

Distortions were building for most of the decade and it would be prudent to assume it will take much the same time *to unwind* them. In the meanwhile, investors who still expect life to be much the same as it was in the Exceptional Eighties are going to be disappointed by the realities of Different Decade.

London Markets

It's nicer to stay in bed

By Peter Martin, Financial Editor

FOR MUCH of the week, *investors must* have wished they had imitated Pandora Maxwell's brisk way with early-morning callers. If only they had stayed in bed, everything would have been fine. It's getting up that causes the world's problems.

On the other hand, there are sometimes unforeseen consequences of drawing the duvet firmly over your head. Take the GPA flotation, for example. When that nice Tony Ryan came knocking at the door, offering stock in his aircraft leasing company, the UK's investment community rolled over in bed mumbling: "Wake me when it's over." So did everybody else in the known investing universe, except the retail customers of Nomura in Japan.

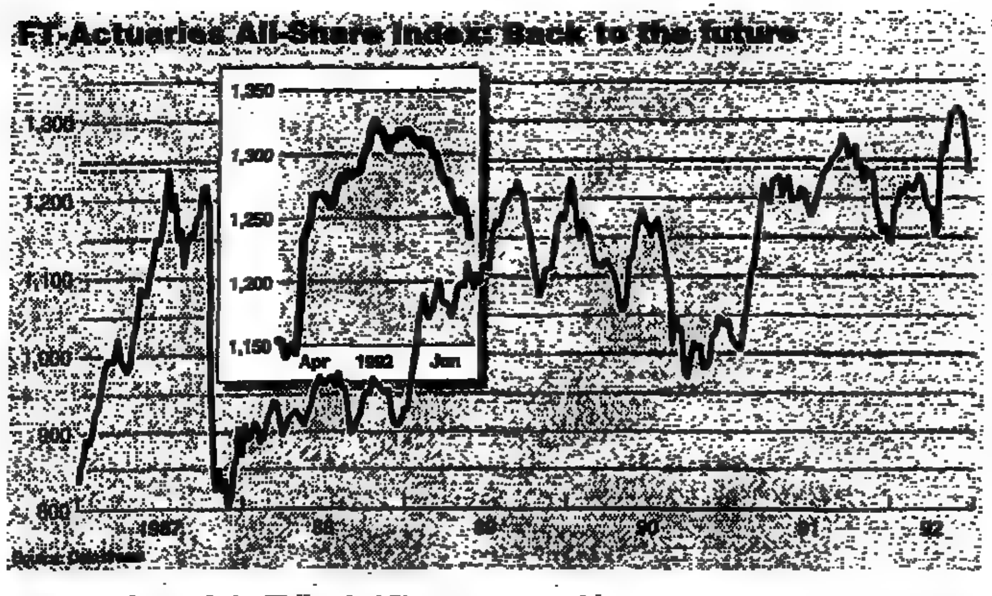
Judging, wisely, that 10,000 Osaka housewives were unlikely to prove a stable capital base, the company pulled the flotation in the early hours of Thursday morning – at about the time, curiously enough, as the TV crews clambered into their Range Rovers and set off for their dawn vigil *outside the Maxwells'*.

At this point, Pandora Maxwell was not the only one to feel a cold chill creeping in under the bedclothes. GPA itself was a bit of a special case: a giant company based in a small economy, market leader of a business that is viewed generally as the financial equivalent of heavier-than-air flight. (Do you *really* understand how a jumbo stays up? Well, neither do I; and that goes for aircraft leasing, too).

But no matter how special GPA was, the failure of its flotation was bound to send ripples through the market. In Thursday's trading, it is hard to disentangle the impact of the GPA announcement from the after-effects of falling share prices in New York and Tokyo, factors which themselves contributed to GPA's decision. Nonetheless, GPA certainly contributed to Thursday's 35.7-point drop in the FT-SE 100 index.

And its impact will linger. A string of other issues – most importantly, the sale of a big chunk of the stock in Wellcome, the drugs company – hang over the market. Although shares bounced back on Friday, investors are likely to be jumpy until the Wellcome sale is safely out of the way in mid-July.

They have a lot to be jumpy about. The chart alongside shows what has happened to the FT-Actuaries All-Share index over the past five years: nothing.



On July 16 1987, the peak of the 1980s' bull market, the All-Share closed at 1238.57. On Thursday, it closed at 1,238.10. If you had owned a representative portfolio of shares worth £50,000, you could have sold them in the *summer of 1987*, bought them back again this week, and still had enough change for a pint of beer and a packet of crisps.

You can come to two conclusions about the market's inability to stay above the 1987 peak for long. The first is that the last leg of the 1980s' bull market was an aberration, an unsustainable leap into the stratosphere which should be ignored when you plot a steady trend of long-term growth for equity values.

The second, less comforting, is that things have changed: UK equities cannot clamber back above their 1987 levels because, for the foreseeable future, the domestic economy is trapped in a tunnel of slow economic growth and low returns.

On the first view, UK equities may be going nowhere for the moment, but that is purely a *temporary phenomenon:* the only thing holding them back is high German interest rates and, when the markets start to expect a decline there early next year, equities will take off again.

Coming from one of Britain's top fund managers, that view sounded plausible enough this week. There is only one snag: it is exactly the same case he was making at the turn of the year, when he was expecting German interest rates to come down in the spring of 1992.

That date has now slipped a year. If it slips much more, the debate over whether we are in a normal pattern (slightly delayed) or in some new unpleasant phase becomes simply one of nomenclature: the substance is the same.

Support for this thesis came from economic and corporate announcements this week. Retail sales volume, seasonally adjusted, rose by only 0.3 per cent in May; averaged out over that month and the two before, sales were 0.1 per cent lower than in the previous three months. Manufacturing output in April rose 0.3 per cent, continuing an upward trend that began in February.

Recovery from recession clearly is proving slow and painful. On Thursday, ICI warned analysts that signs of an upturn it had noticed in UK demand during late March and early April had petered out. "We can only hope rather than expect an economic upturn to help us in the second half of the year," said Ronnie Hampel, ICI's chief operating officer.

All this could be seen as evidence that, clamped in the European Monetary System – a vice that became a bit more robust this week as Irish voters *said yes to the Maastricht* treaty – the UK has no choice but to come to terms with German or French standards of economic competitiveness.

Of course, if you believe, like that fund manager quoted earlier, that the UK's *big manufac*turing companies have been through their restructuring and are now fully competitive with their international rivals, then you have reasonable grounds for thinking that the present economic unpleasantness will soon be over. On the other hand, Monday's trade figures showed a 25 per cent rise in import penetration since the trough of the last recession. Looking at those numbers, you might conclude that the problems are deep-seated ones of training, finance, and industrial structure.

On this, more pessimistic view, UK equities will really break away from 1987 levels only when the economy as a whole is more competitive. While we wait, I think I'll slip back to bed for just a few minutes more . . .

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2584.8	-18.9	2737.8	2382.7	Bad corporate news
Airtours	274	-24	337	203¼	Holiday price war fears
Bass	613	+27	655	491	Switching from Whitbread advice
BP	251	-10	304	239½	Analyst's profit downgrade
Cable & Wireless	554	+20	632	505	Good results
Glaxo	711	-14	843	693	Upjohn profits warning
ICI	1217	-88	1410	1115	Gloomy company presentation
London International	229	-39	316	215	Disappointing profits
Midlands Radio	113xd	+8½	114	70	Bid speculation
Next	96½	+8½	96½	57	Bid speculation
Pilkington	137xd	+14	109	118	Bid talk/US support
Rank Org	673	-38	772	587	Lack of support
Tyne Tees TV	276	+44	322	228	Agreed bid by Yorkshire TV
United Biscuits	358	-32	440	358	Profit downgrades
Whitbread A	434xd	-18½	468	347	Switching into Bass advice

Serious Money

Cheque law brings banks to account

By Scheherazade Daneshkhu

A PECULIAR anomaly was ended by the *Cheques Act, which* came into force this week. Until now, accountholders who crossed their cheques with "account payee only" in the belief that this made them non-transferable were wasting their ink. Their diligence did not have the force of law and cashiers could ignore the instruction.

Now, however, cheques crossed in this way may be paid into the account of the named party only. Save & Prosper was the first to issue cheques already crossed with "account payee only" last year. It was followed by Nationwide building society and Lloyds and Yorkshire Banks.

The act started out as a private member's bill sponsored by Conal Gregory, then MP for York, with the backing of the Consumers' Association. Its main intention was to protect *accountholders from fraud.*

The Consumers' Association says few people realised that their cheques could be intercepted in the post and paid into an account other than the intended person's with no *more than a signature on the* back. Fraudsters would not even have to worry about forging the payee's signature accurately since the bank into which it was paid would not have bothered to check its authenticity.

Under the Cheques Act, any bank that accepts wrongly a crossed cheque for a third party account is now responsible for the costs of correcting the error.

This is excellent news for customers. Bank and credit card fraud have been increasing, partly reflecting the large number of plastic cards and bank accounts held by the British. According to a study called *European Retail Banking 1992*, to be published next week by Datamonitor, the market analyst, the British have the highest number of accounts in Europe, with 2.4 per head. And even though 17 per cent of *Britons have no bank account*, compared with only 3 per cent in Switzerland, more Britons have a cheque book and plastic cards than other Europeans.

Unless they have been clearly negligent, it is unfair that individual customers, rather than banks, should have to bear the cost of bank and credit card frauds although the balance has been swinging more in favour of the customer recently. Under the Code of Banking Practice issued at the end of last year, which sets out minimum standards for the industry, the onus is now on banks to prove in disputes over card transactions that it was used by the customer.

Banks must also comply with the wishes of customers who do not wish to use their *cheque cards to draw money* from cash machines. In such cases, personal identification numbers will not be issued so that stolen cards cannot be used to withdraw cash.

> *'Until now, the account holders were wasting their ink'*

More a declaration of goodwill than a document aimed at setting the world ablaze, the code should nevertheless improve the quality of services offered to the customer. For example, banks have said they will no longer pass on information about their wealthier customers to their insurance and financial subsidiaries so the clients can be targeted for direct mail advertising. Now, the banks will need the customer's consent in order to send him junk mail. These are small steps but they are in the right direction.

Other measures that banks and building societies should take to improve services would be to streamline tax-exempt special savings accounts (Tessas) to remove the myriad penalties and bonuses that have made it increasingly difficult to compare the performance of one Tessa with another.

In a recent report, the Office of Fair Trading expressed concern that Tessas were the first deposit-based products to have concealed costs in a manner similar to those on life products. Tessas were meant to be straightforward, easily-transferable products and the complications that banks and building societies have brought in go against the spirit of the legislation which introduced them.

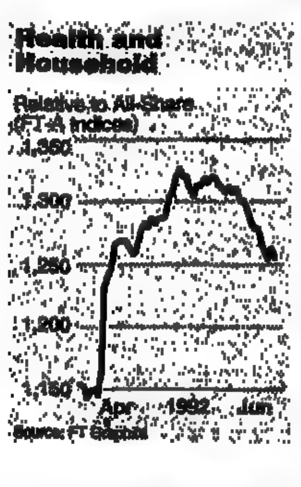
The OFT report also called for changes to the financial limits on compensation to consumers which, it said, varied "without rhyme or reason."

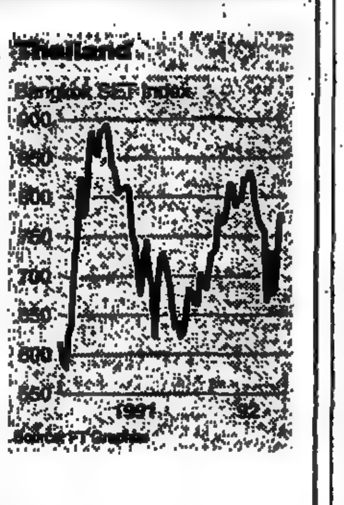
Under the protection scheme for the building societies, savers are entitled to compensation of 90 per cent of the first £20,000 in their accounts. Yet accountholders at banks, which are more liable to collapse than building societies, are entitled to compensation of *only 75 per cent of the first* £20,000 under the deposit protection scheme. This is an anomaly that could well do with being remedied.

Because of opposition from the banks, the code did not include a requirement for them to tell customers in discontinued accounts that these had been replaced with similar accounts, usually offering better rates. Customers with 90-day accounts find themselves locked into their old accounts before being able *to switch*.

Both the Cheques Act and the Code of Banking Practice were the outcome of laborious negotiations between consumer groups and the banks. Consumer pressure will still be needed to ensure that further steps are taken to improve the services of the banks and building societies.

AT A GLANCE





Profits pale for pharmaceuticals

The UK no longer wants to take its medicine, judging by the recent performance of pharmaceuticals stocks. They outperformed the market strongly last year, buoyed by the belief that they had strong defensive qualities in times of uncertainty, but since the election they have underperformed greatly, as sectors perceived as vulnerable to political risk have recovered. This week, shares in companies such as Glaxo, SmithKline Beecham and Wellcome *were depressed by a profits warning from Upjohn*, the US pharmaceutical group.

Thailand finds favour

The Thailand market seems to be back in favour with international fund managers, despite its record of extreme volatility. Its latest sharp upward movement follows the reappointment of Anand Panyarachun as premier last week. Although he is only regarded as a caretaker, this did much to soothe market worries following the two-month political crisis which culminated in the shooting of 49 pro-democracy demonstrators in May. Based on economic fundamentals, the future outlook is promising, according to analysts.

Fines warning for directors

Directors of British companies will be liable for penalties of up to £5,000 if they do not file their accounts on time. The deadline is July 1.

Companies' House, an executive agency of the Department of Trade and Industry, says that the level of the fine depends on whether the company is public or private, and how late documents have been filed. Public companies have seven months to file and private companies ten months.

Directors of companies which *refuse to file documents can be taken* to court and prosecuted. Those which file late and do not pay the penalties swiftly will be passed on to a private debt collector.

Revenue service pledge

The Inland Revenue has pledged to take no more than 15 minutes to deal with 90 per cent of customers who call at their inquiry centres without an appointment, under performance targets for the next three years unveiled this week. Seventeen of the 400 inquiry centres will experiment with longer opening hours, and 24 new offices will deal with repayment claims, with the aim of making repayments within three months.

Fixed rate mortgage offer

National & Provincial building society launched two fixed rate mortgages this week. The rates are fixed at 9.85 per cent until June 1994 or 9.95 per cent until June 1995. The 9.85 per cent rate will apply to loans up to 85 per cent of the value of the home for both years, while the 9.95 per cent rate applies on loans between 85 and 95 per cent.

These rates are dependent on building and contents insurance being taken out with N&P. There is a £150 arrangement fee for the 1994 option and £200 for those taking the fixed rate to 1995.

Smaller companies slump again

Small companies endured another bad week. The Hoare Govett index (capital gains version) fell 3.27 per cent from 1272.1 to 1231.81 over the seven days to June 18. County NatWest's smaller companies index fell 3.1 per cent to 981.13 over the same period. Hoare Govett pointed out that its index peaked on May 26 and added: "Patience among institutional investors is wearing understandably thin. Too much should not be made of this fact, but it is not the stuff of which bull markets are made."

Wall Street

Perot's campaign upsets the Apple cart

THE Vice President was in town this week on his annual bash-the-Big-Apple campaign, but it was that other giant of contemporary politics, Ross Perot, who ended up doing the most damage to *New York's sense of* well-being.

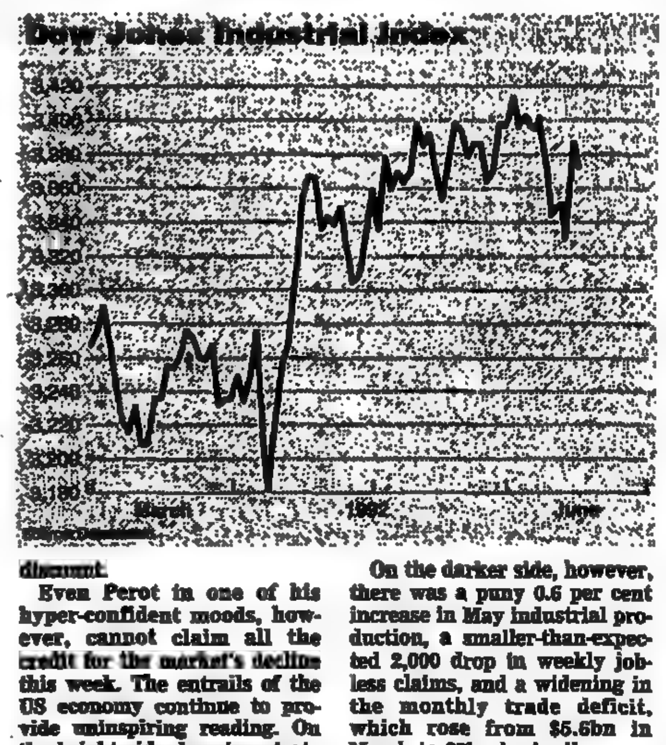
Such is the would-be-president Perot's current stature, it was nothing he did or said that put the collywobbles up the stock market this week, but what he *might* do in the autumn elections that troubled Wall Street the most.

In the space of three days the Dow Jones index dropped 80 points, or 2.4 per cent, in part because of the wildly uncertain political climate that Perot has done so much to create. While there were plenty of other factors behind the decline in prices – of which, more later – this week was the first time that Perot was widely mentioned as a market-moving influence.

It is difficult at the moment to come up with any hard reasons why investors should fear Perot, either as candidate or as President. He has said precious little about what he might do if elected, and the usual platitudes about getting America back on its feet have hardly added up to an economic policy deserving of Wall Street's scrutiny.

Yet his unsettling presence on the political scene, and the trouble he has been giving the Bush White House, have undermined the market's confidence in its ability to correctly gauge the political future. Perot's apparent popularity – several recent polls showed that he would take California from Bush and Clinton if an election were held now – has forced investors to re-evaluate their long-held yet increasingly shaky forecast that George Bush will win the election this *November*.

After all, Bush's successful re-election was priced into equities as far back as the Gulf War, when the master of the New World Order was riding high in the polls with 80 per cent-plus approval ratings. Only now, with Bush down at 35 per cent in the approval ratings, are investors realising that it may be time to give back some of that generous discount.



Even Perot in one of his hyper-confident moods, however, cannot claim all the credit for the market's decline this week. The entrails of the US economy continue to provide uninspiring reading. On the bright side, housing starts jumped 11 per cent in May, the biggest rise in more than a year.

On the darker side, however, there was a puny 0.6 per cent increase in May industrial production, a smaller-than-expected 2,000 drop in weekly jobless claims, and a widening in the monthly trade deficit, which rose from $5.6bn in March to $7bn in April.

The trade numbers were especially worrying in that they suggested second quarter real gross domestic product growth will probably not break 2 per cent as expected, and will certainly come in below the 2.4 per cent growth achieved in the first three months of the year.

The strength of overseas demand for US-made goods has been one of the few bright spots during the past year. The *biggest of the foreign* economies, however, are now either contracting or stagnating. Over the short-term they cannot be expected to provide much additional *momentum to* the domestic US recovery, although the recent weakness in the dollar (down 6 per cent against the D-Mark and more than 5 per cent against the Yen in the past six weeks) may provide some compensation.

If the economic outlook offers investors little cause for celebration, US monetary policy is likely to be equally unaccommodating. Wednesday's release of the Federal Reserve's "Beige Book", its report on nationwide business conditions, offered only frustration for policy watchers.

The picture the book painted of the economy lived up to the bland colour of its cover: neither bullish enough to suggest corporate earnings might pick up sharper than expected, nor bearish enough to suggest the Fed might be prompted into another interest rate cut.

If interest rates are staying where they are, if the recovery remains lethargic, and if the billionaire Texan continues to *muddy the political waters*, then the stock market could be in for a long, hot summer.

But one the market's hottest stocks of the past year, Telefonos de Mexico, ran into some heavy selling this week following sharp declines in its home market. That man Perot was again partly to blame, say analysts. His protectionist tendencies have cast a cloud over the future of the North American Free Trade Agreement, which Mexican investors believe is so vital to their country's economic future.

Patrick Harverson

Monday	3354.90	+ 0.54
Tuesday	3329.49	− 25.41
Wednesday	3287.76	− 41.73
Thursday	3274.12	− 13.64

The Bottom Line

At the core of BET's problems

BET, the business services company, used to have one of the catchier corporate advertising slogans; "You look after the core businesses; we'll take care of the chore businesses."

After buying more than 150 businesses in five years, it is difficult to see what BET's core is. In spite of 1991 results published on Monday, which demonstrated laudable progress, John Clark, chief executive since April last year, still has more than a little house-cleaning to do.

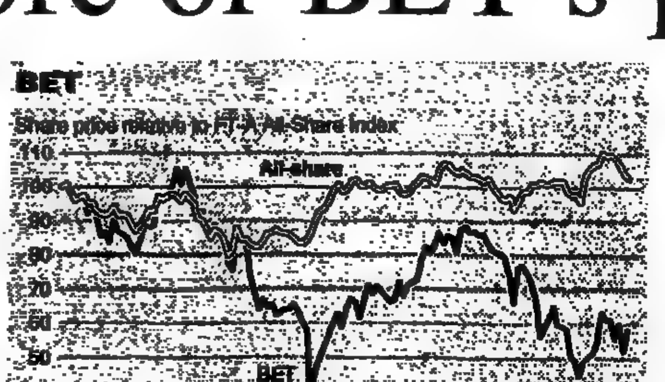
Eighteen months ago, BET *was a company in deep* trouble. Expansion under the chairmanship of Nicholas Wills, the son of the previous chairman, had led to a £163m outflow of cash in the first six months of 1981 after five years of acquisitions.

This expansion had taken BET into interests as diverse as road haulage, cleaning services, engineering, television, publishing, joinery and plant hire.

The company had also concentrated heavily in the UK, which was moving *into* the worst recession for at least a decade.

The business had spiralled so far out of control – or had been swept along in the general 1980s euphoria – that last year was the first time since 1986 that BET generated any cash.

The year ending March 1992 will go down as a turning point. Granted, pre-tax profits *fell from £217m to £18.5m, after* a series of exceptional costs relating to asset right downs and business closures, on sales down 11 per cent at £2.34bn. And the dividend was more than cut in half to 6.5p, a level the company is unlikely to be able to lift again for some time.



But the company has removed £62m of costs and started the very necessary process of trimming the number of operating companies, including selling at a very full price its Biffa waste management company to Severn Trent.

Most encouraging, however, was the very strong cash flow, which allowed debt to be reduced from £425m to £107m, and led Clark to hope the company would be ungeared by the end of this year.

Although Clark's new management has brought BET to this turning point, he admits that there are two more years of work to return the company to a growth path.

Looming largest is the not insignificant chore of dealing with $500m of auction market preferred shares, a hybrid form of equity and debt that effectively raises BET's gearing to over 300 per cent.

Some analysts believe that even if BET were to continue its impressive cash generation the company would do little more than nibble at the edges of the AMPS debt without a large disposal or even a rights issue.

There is even talk that *Boulton & Paul*, the loss making joinery business may have to be sold.

BET will also have to finance higher levels of working capital when recovery arrives and it will have to resume a more realistic capital spending programme.

Normally, a business's depreciation would be higher than capital expenditure, if it is growing, or at least at the same level if capital stock was being properly maintained. Last year, however, BET spent, after disposals, less than 20 per cent of its depreciation charge on capital expenditure.

Given that Clark now has the right management team, augmented by Bob Mackenzie, a former Hanson executive, *as* finance director, shareholders at least stand a chance of seeing their company make the transition from a financial holding company to an operating company.

But investors will have to be patient. With the possibility of the company seeking to refinance its AMPS with a rights issue – as ECC, the china clay company, did in February – they *may also* need to have deep pockets.

Richard Gourlay

Plastic has the edge but don't ditch paper yet

***John Authers** looks at what you pay for the money you spend abroad*

THE GREAT British package holiday is now complete. Not only can the Englishman abroad go to the Costa del Sol and still buy a pint of Watneys and a portion of fish and chips: he can also put his credit or bank card into a hole in the wall and withdraw the local currency from it.

The logos of the main plastic card issuers – Visa, MasterCard, Diners Club and American Express – are ubiquitous. They follow you all around the world. Increasingly, banks are plugged in to international networks, and plastic does the work once done by legions of clerks and tellers. But should this be taken to its logical extension – abandoning paper when making foreign transactions?

This logic is seductive, but the time has not yet arrived to throw away paper altogether. Diversification is always desirable. Give yourself access to as many forms of payment as possible, even if some are less convenient than others.

Then, there is the issue of cost. The surface simplicity hides two factors that can mask the true rate you pay: the bank which issued the card, and the exchange rate.

MasterCard and Visa are just brand names into which banks can plug, setting their own terms in the process. Some will charge more than others for foreign currency. The exchange rate is something else. Visa and MasterCard apply a basic conversion rate – generally regarded as reasonable – which different issuing banks are free to alter. This allows them effectively to add extra commission.

This can easily be quantified, but even the banks seem confused. The Consumers' Association recently asked them for details of commission via credit cards. The AIB, Amex, Barclays and Northern banks, and the Chelsea and Leeds Permanent building societies replied unequivocally that they did not alter the basic exchange rate. Others, including Lloyds, declined to answer.

The CA found that several banks refused to reveal details of changes to exchange rates when asked by customers. But others gave the CA the following information:

- Beneficial adds 0.25 per cent in commission via the exchange rate.
- Clydesdale adds 0.6 per cent to Visa rates and 1.6 per cent to Access rates.
- Halifax adds 1.9 per cent for transactions in Europe and 2.75 per cent for the rest of the world.
- NatWest adds 2.75 per cent to the standard rate.
- National & Provincial adds 1.25 per cent.
- Royal Bank of Scotland adds 1.75 per cent.
- TSB Northern Ireland Bank adds 2.75 per cent.
- Ulster Bank adds 2.75 per cent, and;
- Yorkshire Bank adds 1.2 per cent in Europe and 0.6 per cent in the rest of the world.

First Direct and Midland say only that "the exchange rate will be within 2 per cent of the typical tourist rate as advertised in the UK press." Barclays uses its own rate, which it says will be "within 2 or 3 per cent of published commercial rates." All issuers apply the same rate for currency withdrawals as they do for purchases.

None of these rates is outrageous compared with those available elsewhere, but they add up when they are placed on top of commissions and high interest rates for withdrawing currency.

When you are making a purchase, credit cards are much more competitive. According to the Credit Card Research Group, which is funded by credit card-issuers, the cost of $100 on June 1 this year would have been £56.21 via a credit card, £58.15 for cash, and £58.83 by travellers' cheque. These figures take the average of CCRG members' credit card rates plus the average of five high street foreign currency rates (including three clearing banks), and five travellers' cheque rates. For 5,000 pesetas, you would have paid £28.06 by credit card, £30.42 for cash and £31.57 via travellers' cheques.

This helps to explain the verdict reached in a recent issue of *Which?* which compared plastic and paper: "Plastic generally wins for flexibility and cost, but it's not wise to rely on it completely. In theory, cards should give you access to cash 24 hours a day, but there can be problems."

Paper money comes in more forms than the simple travellers' cheque. For business travellers, Eurocheques have attractions. You pay a stiff annual fee – from £4 to £10 – and there will usually be commission of around 1.6 per cent on each transaction. But you can then write a cheque in the local currency, debiting from your normal current account at a standard retail exchange rate.

You also receive a guarantee card, which can be used to withdraw money from cash machines – a useful service in Germany where there are 10,650 Eurocheque dispensers compared with 5,449 for Mastercard and 536 for Visa. The cheapest accounts, according to *Which?* come from the Northern and Ulster banks (£4 annual fee), Clydesdale (£5) and AIB bank (£6).

Girobank offers Postcheques, which enable you to draw money from 90,000 post offices around the world but cannot be used for purchases of goods. A book of 10 cheques costs £6, with a limit of two books per year. The maximum amount you can withdraw varies from £100 to £140, and there is a flat 1 per cent commission on each cheque with no variable foreign charges. These may be a slightly expensive way of giving yourself a stop-gap, but they are secure and convenient.

Charges on travellers' cheques vary widely. They have the big advantage of security, provided both by the ability to provide replacements and the usual need to produce identification when cashing them. But they are more cumbersome than credit cards, so it is worth buying a few cheques for low amounts – £10 or £20. If you are in the US, dollar-denominated cheques change hands as easily as hard cash. Cheques in any other currency are more or less unusable.

According to *Which?*, best buys for travellers' cheques come from Britannia, Halifax, Northern Rock, Portman and Yorkshire building societies, and Northern Bank, at only 1 per cent commission with no minimum.

Finally, it is worth shopping around for other good deals. The advent of new payment mechanisms, and the increased willingness of Britons to travel, particularly to Spain, have brought several innovative products in their wake. Travelex, an operator of *bureaux de change*, is allowing customers to sell back up to 30 per cent of the original amount of their unused currency or travellers' cheques at the same exchange rate and without paying commission. This removes the irritation of spending less than you expected on holiday and getting hammered by the new exchange rate when you return.

All the Great British package holidaymaker needs to do is shop around before he leaves, and the Watney's he drinks in Benidorm could be so much cheaper . . .

Where to use your cards

IF YOU are planning to leave home with your credit cards, you should know where you can use them. Acceptance varies significantly from country to country.

If you need money in an emergency, all the major credit cards (Visa and MasterCard) and cash cards (American Express, Diners Club and Link) offer you cash withdrawals. Interest accrues just as it does if you use a credit card in a UK cash dispenser, so they are best regarded as a last resort.

Check before you leave to find if interest dates from the transaction or the first statement after it. The typical transaction charge for each deal is 1.5 per cent.

A recent survey by *Which?*, the magazine of the Consumers' Association, found dispensers were three times more likely to cause problems – either by rejecting cards or refusing to dispense money – than other transactions using plastic cards. But their record still was good. *Which?* found no cases of cards being swallowed by a foreign machine, and no significant differences between brands of card.

Cards require a personal identification number (PIN). Many people do not bother to keep this but issuers can send you a reminder. You should ask for your PIN a few weeks before you leave, but do not write it down unless you have to.

Next, check the limit on cash withdrawals for the card; usually, it will be different from the limit for purchases. Also, it can be wise to take out card protection insurance, as risks of theft increase when you go abroad. This should cost less than £10.

Finally, keep cash receipts – interest can mount up and you need to have records to check the charges.

Availability is as follows;

- American Express has 43,000 automatic teller machines (ATMs) world-wide but they are concentrated, as you might expect, in the US where there are 28,000. There are 4,500 in Spain, 1,800 in Portugal and 1,500 in France, but you can probably afford to leave home without the American Express card if you are going to Greece, where there are only 100 machines, or Germany (50).
- Diners Club has access to 40,000 ATMs world-wide, mostly in the US and Canada. It also has widespread facilities at airports, thanks to a link with British Airways, and claims greater strength than its rivals in Africa.
- MasterCard, generally known as Access in the UK, now has more than 95,000 ATMs. Its main strengths are the US and Europe, where is known as Eurocard. By the end of this year, it plans to have 10,000 ATMs in Spain, 8,000 in Germany, 6,000 in France and 3,000 in the Netherlands. It will also have more than 1,000 outlets in Belgium, Denmark, Finland, Italy and Portugal. There are, however, none in Luxembourg.
- Link, offered by a number of building societies and smaller banks, is something of a maverick network. Not all Link-offerers in the UK have cards which can be used internationally. Those which do include Abbey National Co-operative, Girobank, and the Britannia, Norwich & Peterborough, Portman and Yorkshire building societies.

Link cards from these companies and a few smaller building societies, as well as Diners' cards, allow you access to the Plus system of 70,794 ATMs. Plus is weak in Europe (it has only 3,000 machines, all in Spain), but better in Latin America (where the 809 machines include 585 in Mexico and 157 in Puerto Rico) and the Asia-Pacific region (where there are 10,822, including 511 in Australia, 291 in Hong Kong and 262 in Japan).

The cards also come in useful in North America – there are 10,622 ATMs in Canada and 46,689 in the US.

- Visa has the world's largest ATM network: 110,000. These include 15,625 in Spain, 1,360 in Portugal, 7,160 in France, 1,030 in Italy and 39,885 in the US. But it has only 536 in Germany, a much weaker position than MasterCard.

JA

Insurers curb independents

Commission is being paid even if unwanted, says ***John Authers***

INSURANCE companies are blocking the way for fee-charging independent advice by paying commission to intermediaries even if they do not want it. A survey published this week by London adviser Blyth McKenna showed that only two life offices out of 28 – Eagle Star and Scottish Widows – offered total flexibility by allowing full or partial surrender of both initial and renewal commission on endowment policies. Half the companies contacted had no facilities at all for commission sacrifice – come what may, they will pay it.

Intermediaries can always pass the commission they receive straight to their customers. But if this happens, the customer has to pay income tax on the refunded commission, as it was meant originally as income for the intermediary. In any case, it would be more appropriate to use the money to enhance the investment; if the investor is prepared to part with it, it might as well be used to invest for profit in a relatively tax-efficient way.

The companies which did not offer any opportunity to enhance with-profits policies by re-investing commission were National Mutual, Provident Mutual, Scottish Equitable, Commercial Union, General Accident, Guardian Royal Exchange, Royal Life and Scottish Mutual. For unit-linked policies, the companies which would not allow any rebate were Scottish Amicable, Scottish Equitable, Abbey Life, Albany Life, Allied Dunbar, Commercial Union, General Accident, the Life Association of Scotland, Royal Life, Skandia Life and Sun Alliance.

Most of these offices pointed out that pension policies were much more flexible, typically with a range of commission re-investment options. Endowments remain inflexible.

The insurers' replies to Blyth McKenna show a wide range of attitudes. Standard Life sent a seven-page letter detailing the effects of re-investing commission, while Scottish Life provided five pages of notes on how returns could be increased by giving up all or part of a commission.

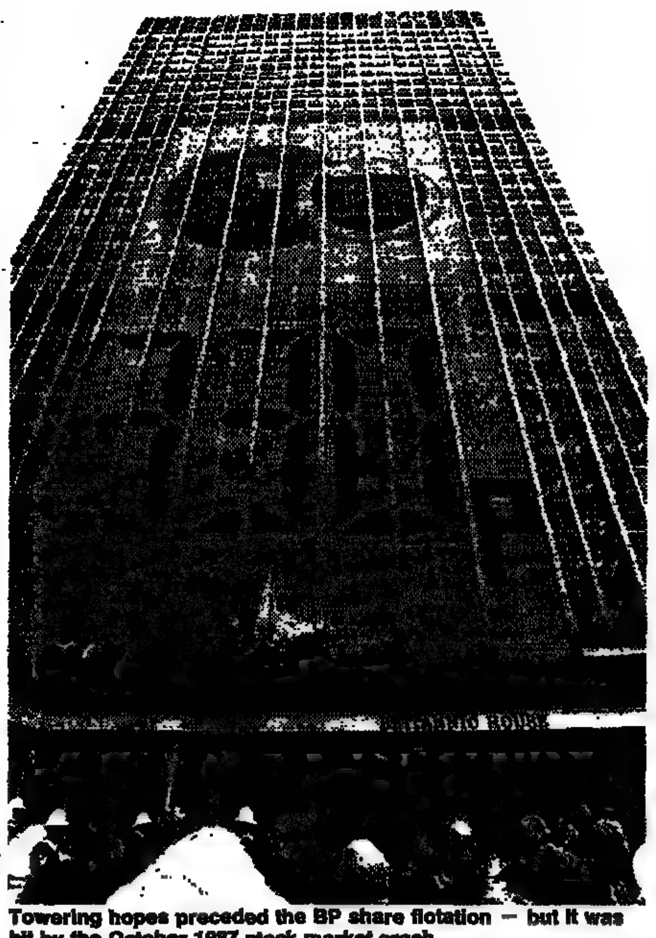
Others were less helpful. Allied Dunbar said: "You will appreciate that as we receive very few requests to provide this facility, we are unable to comply with your request at this moment in time." Provident Mutual explained its approach by saying: "This, I suspect, arises from the fact that there has in the past been little or no demand for such contracts from the independent intermediary market."

Re-investing commission can make a big difference – for example, Clerical Medical increases the sum assured on a 25-year policy by 7 per cent if the adviser gives up all his initial commission. There will, of course, be a fee to pay on top, but enhancement is likely to be better – over 25 years, the increased sum within the insurance policy has a good chance of snow-balling into a significant sum.

Ian McKenna, of Blyth McKenna, says: "Many independents are keen to see us move quickly away from the commission system. I believe we are ready. It is the insurers who are standing in the way."

Not all brokers are as happy about fee-charging advice as he is. But his argument that insurers should be forced to offer intermediaries the opportunity to waive their commission has some merit, as it would remove one of the greatest obstacles to a system of fee-charging independent advice in the UK.

James Clancy, a fee-charging adviser based in Northumberland, also suggests that advisers should lobby with insurance companies for more flexibility. Ultimately, the insurers' responses suggest that more consumers asking to pay by fee could also have a big impact.



Towering hopes preceded the BP share flotation — but it was hit by the October 1987 stock market crash

Nerves begin to surface

Scheherazade Daneshkhu *on the latest flotations*

THE unexpected news that GPA, the aircraft leasing company, was pulling its global flotation this week gave many private investors a fright. Should they still be keen to buy shares in the companies *that are coming to the market?*

Almost a dozen flotations are planned by the end of the year, the first such rush since the 1987 crash.

The issues scheduled for this month are from Country Casuals, the ladies wear retailer, Kenwood Appliances, the kitchen appliance maker, the Daily Telegraph newspaper, Anglian Window, which makes double-glazing, and Taunton Cider.

Two large flotations are due in July, from MFI, the furniture retailer and Wellcome, the pharmaceuticals company, which hopes to raise £2bn-£4bn.

These issues are very different from the privatisation stocks which most UK shareholders own. Most are aimed at institutions, with Country Casuals as a stock market placing.

The privatisations had a simple application process and were priced attractively as part of the government drive to promote wider share ownership among the British public.

But this is not the case with the planned flotations. David Jones, chairman of Sharelink, the execution-only sharedealing service, which was set up with backing from BT for its privatisation issue, says: "Many of the new issues are not being structured in a way that makes it easy for private investors to get involved."

The companies will have to get the best price possible without overpricing the issue so that the market falls after dealing begins.

Take advice from a stockbroker before deciding whether to buy. The small print on the two biggest offers imminent, from Wellcome and MFI, goes as follows:

■ Wellcome. The Wellcome Foundation, which owns more than 73 per cent of Wellcome, is reducing its holding. Wellcome was originally floated in 1986 at £1.20 a share and these now trade at around £9.45. The shares may be offered at a discount to the market price. Investors who buy through the public offer will not have to pay stamp duty or commission; they can register now and apply for shares from July 6.

The minimum investment is £1,000. Shares can be put into a personal equity plan within 42 days of the issue – any longer and they will have to be sold and bought back. Reyker Securities, the Share Centre and Sharelink are offering to "pep" the shares at low cost. Reyker charges a fee of £40 for a £6,000 general Pep and a 1 per cent annual mangement fee from the 1993 tax year. Charges at the Share Centre are a flat fee of £50 and at Sharelink, a 0.75 per cent annual administration fee subject to a £20 minimum.

Wellcome has prepared a guide to the share offer obtainable from the Share Information Office on 081 944 1242. Its prospectus is due to be published on 25 June.

■ MFI. The furniture retailer's name gives it an inherent advantage in its appeal to private investors. In 1987, it was the subject of the largest management buyout then seen after a merger with Asda, the food retailer, which owns 25 per cent of the company.

The minimum application in this case is £2,250. The price of shares will be announced on July 2, with dealing starting on July 17. Once again, stamp duty and commission do not have to be paid on purchase of the shares, which can be "pepped."

Deadline for BT payments

THE 1.8m partly-paid British Telecom shareholders will have received their call notices this week for payment of the second instalment of the stock by July 7, writes Scheherazade Daneshkhu. However, the Treasury says cheques must be received by Lloyds Bank, the issue registrar, by Thursday July 2 to be cleared.

The second instalment will cost 120p per share but around 630,000 shareholders qualifying for the instalment discount, will only need to pay 105p per share on the first 1,000 shares.

If you miss the deadline, you could lose your shares as well as entitlements to special incentives such as instalment discounts or bonus shares. However, the Treasury says it may pay a refund of a maximum of 110p per share. Shareholders could receive less if the Treasury makes a loss once it deducts selling and administrative costs from the price obtained for the shares.

A number of special deals on the sale of BT partly-paid shares are being offered by some of the government-nominated share shops. Norwich and Peterborough is cutting its minimum commission to £15 on sales.

Barclays Bank's commission rate is 2 per cent subject to a minimum of £15 and this charge will cover a further three members of the family.

Bank of Scotland's charges are 1.5 per cent commission with a minimum of £15 for postal dealings and £20 for telephone dealings.

The Share Centre (0442-890800) is also offering a competitive deal. The selling commission is 1 per cent, subject to a £10 minimum.

Brokers Dunbar Boyle & Kingsley (071-247-8898) will sell for a 1.5 per cent commission or a £15 minimum. This single charge will cover up to 10 investors. The offer ends at close of business on June 23.

Lloyds Bank has set up a helpline for BT shareholders. The number is 0903-503733.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in in pence unless otherwise indicated					
BHH ‡	36*	35	34	21.34	IM Group
Cronite	45*	45	29	7.31	AFE SA
Dowty ‡	191	190	145	475.92	TI Group
IRG	140	121	127½	20.18	Sarlo Group
JS Patholgy	175*	176	154	23.06	Corning
Manders	283	282	237	95.47	Kalon
Microlec	132½	136	113	17.61	Meggitt
Midland	480§	426	372	3.77bn	HSBC
Morland	490	465	465	104.0	Greene King
Penny & Giles	363	370	235	35.03	Bowthorpe
Tyne Tees TV	294	272	234	30.53	Yorkshire TV
Worcester ‡	225*	223	188	60.50	Robert Bosch

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 19/6/92. §§Shares & cash. ‡ Based on local price.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Automotive Financial	Jul	64,700	(74,600)	-	(-)	-	(-)
BET	Mar	18,500	(217,000)	-	(18.5)	6.5	(13.25)
Booth Industries	Mar	677	(983)	10.58	(15.99)	3.2	(3.2)
Bradford Property	Apr	23,100	(23,000)	10.76	(10.6)	4.45	(3.7)
Brent Walker	Mar	411,400 L	(367,700L)	-	(-)	-	(-)
Bulgin (AF)	Jan	107 L	(505 L)	-	(-)	0.1	(0.1)
Cable & Wireless	Mar	644,000	(609,000)	30.1	(31.3)	13.25	(11.8)
Capital Gearing Trust	Apr	343.3‡	(290.8‡)	1.33	(0.14)	0.4	(0.35)
Chillington Corp	Dec	646	(905)	-	(-)	0.5	(2.75)
Chloride	Mar	588	(5,505)	-	(-)	-	(-)
Cohen (A) & Co	Dec	783	(2,030)	-	(43.5)	10.0	(23.1)
Craig & Rose	Dec	20 L	(126)	-	(21.75)	12.5	(15.0)
Cranswick	Mar	1,700	(1,380)	14.8	(13.4)	7.5	(6.5)
Devonport Knitwear	Dec	1,230	(944)	47.7	(35.0)	8.25	(8.03)
Dawson International	Mar	30,100	(28,100)	11.4	(10.6)	9.0	(9.0)
East Midlands Elec	Mar	150,000	(106,500)	50.1	(35.6)	17.1	(10.55)
Erskine House	Mar	12,700	(12,100)	11.7	(14.5)	6.65	(6.65)
Faupel Trading	Mar	1,210	(1,120)	10.22	(9.44)	4.9	(4.9)
Finsbury Tst	Mar	1,010	(1,070)	3.2	(2.9)	3.0	(2.85)
FKI	Mar	50,500	(40,200)	4.88	(6.71)	2.3	(3.3)
For & Col Smaller	Apr	2,490	(2,420)	1.07	(1.96)	1.75	(1.65)
GEI International	Mar	3,120	(5,570)	6.7	(9.7)	7.32	(7.32)
Gieves	Jan	1,510 L	(428 L)	-	(-)	-	(3.0)
Goldsmiths	Feb	1,290 L	(1,900)	-	(5.67)	1.5	(3.0)
Hawtal Whiting	Dec	197	(6)	-	(-)	0.1	(4.0)
Hazlewood Foods	Mar	61,300	(51,200)	16.42	(17.13)	6.1	(5.8)
Household Mortgage	Mar	5,160	(2,210)	-	(-)	-	(-)
Learmonth & Burchett	Apr	303	(1,700L)	0.7	(-)	-	(-)
London International	Mar	16,900	(17,400)	6.34	(6.66)	9.45	(9.25)
Manweb	Mar	94,700	(55,900)	58.7	(36.7)	16.25	(11.2)
Melville Street	Apr	1,050	(1,180)	4.2	(4.7)	4.0	(4.5)
Mountview Estates	Mar	6,580	(8,070)	95.6	(116.1)	18.0	(15.0)
National Power	Mar●	514,000	(434,000)	28.63	(23.54)	9.1	(8.25)
Norweb	Mar	137,900	(70,300)	51.0	(24.5)	17.7	(15.63)
Oceana Cons Co	Mar	72	(1,290 L)	2.31	(-)	1.0	(0.75)
Oceans Inv. Corp.	Mar	362.9‡	(317.4‡)	-	(16.0)	11.0	(11.0)
Office & Electronic	Dec	57 L	(68)	-	(6.3)	0.1	(0.1)
Owen & Robinson	Jan	2,900 L	(638 L)	-	(-)	0.15	(0.15)
Portsmouth & Sund'land	Mar	4,390	(5,280)	24.2	(30.2)	8.6	(8.24)
Renold	Mar	3,000 L	(2,500)	-	(1.4)	1.0	(3.7)
Riva	Dec	3,200 L	(778)	-	(2.4)	-	(6.9)
Safeland	Mar	167	(335)	0.6	(1.1)	0.28	(1.0)
Severn Trent	Mar	265,000	(246,000)	66.2	(64.5)	19.3	(17.56)
Shanks & McEwan	Dec	31,100	(23,900)	11.9	(13.2)	5.7	(5.48)
[illegible] (Martin)	Mar	302	(343)	4.34	(5.03)	1.75	(1.75)
Staveley Industries	Apr	24,200	(28,000)	15.8	(20.6)	8.2	(8.2)
Stirling	Mar	2,440	(1,060)	3.06	(2.23)	1.65	(1.5)
Vibroplant	Mar	4,500	(6,200)	6.65	(9.84)	3.6	(3.6)
Volex	Mar	3,680	(4,160)	14.9	(17.9)	17.0	(17.0)
VTech Holdings	Mar$	24,600	(28,400)	14.6	(14.3)	7.0	(7.2)
Waddington (John)	Apr	12,500	(16,027)	11.59	(14.75)	76.9	(7.9)
Wellands	Mar	1,050	(2,960)	2.4	(6.3)	2.2	(2.2)
Welpac	Jan	306 L	(13)	-	(0.42)	0.2	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alvis	Mar	1,560	(1,040)	0.5	(0.5)
Bradstock	Mar	4,230	(3,730)	1.45	(1.35)
Brooke Tool	Mar	1,570 L	(122)	-	(0.26)
Chemring	Mar	2,650	(2,410)	10.8	(9.9)
Control Techniques	Mar	1,570	(1,100)	2.15	(2.15)
Davenport Vernon	Mar	805	(547)	1.5	(1.5)
Davies & London	Apr	1,060	(1,300)	3.8	(3.8)
Gestetner	Apr	8,200	(21,700)	1.8	(1.8)
Intercare Group	Apr	1,400	(452)	0.6	(0.5)
Kleen-E-Ze	Feb	587	(426 L)	-	(-)
London & Clydeside	Mar	120 L	(655)	1.8	(1.8)
Lookers	Mar	615	(1,230)	2.0	(2.0)
LPA Industries	Mar	310	(310)	1.65	(1.65)
NFC	Apr	30,500	(39,500)	1.4	(1.3)
Neotronics Tech	Mar	1,140	(1,510)	0.85	(0.8)
Princedale Group	Mar	326	(196 L)	-	(-)
River Plate & Gn Tst	Oct	3,320†	(3,140†)	3.0	(3.0)
Sherriff Holdings	Mar	151	(153)	1.0	(0.75)
Treatt	Mar	571	(505)	1.0	(1.0)
[illegible]	Mar	97 L	(406 L)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. $ = Profit and dividend figures quoted in US dollars & cents. ● = Last years figures on a pro forma basis. † = Net Revenue. ‡ = Net Asset Value.

RIGHTS ISSUES

Dudley Jenkins is to raise £2.4m via a 4-for-5 rights issue at 55p.
Finlan Group is to raise £8.0m via a 7-for-3 rights issue at 100p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Allied London has placed a further £25m of its 10¾ per cent first mortgage debenture stock 2025.
Country Casuals is to raise £4.3m via a placing at 130p.
Dorling Kindersley is seeking a full listing on the London Stock Exchange this autumn raising about £30m.
Gieves Group is to raise £2.5m via a placing of convertible secured loan stock.
Kenwood Appliances is to raise £39.5m via an offer for sale.
Taunton Cider is to raise £75-85m via an offer for sale and placing.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Dividend (p)* Last year Final	This year Int.
FINAL DIVIDENDS				
AAH Holdings	Wednesday	4.95	9.9	5.4
Allen	Monday	1.6	3.3	1.65
Amber Industrial	Monday	4.5	12.0	4.5
Berkeley Group	Thursday	1.5	3.0	1.5
Birkdale Group	Tuesday	-	-	-
BPB Industries	Thursday	4.0	7.25	4.0
Bristol Water Hldgs	Wednesday	-	-	6.6
Brown Shipley	Wednesday	3.0	6.0	-
Brown & Tawse	Thursday	2.65	2.65	2.65
BTP	Wednesday	2.95	5.45	3.1
Camellia	Thursday	10.0	15.0	11.0
Campbell & Armstrong	Monday	1.0	1.0	1.0
Courts (Furnishers)	Wednesday	1.83	3.17	1.83
ERF (Holdings)	Wednesday	2.0	3.0	2.0
Feedback	Wednesday	-	0.5	-
Ferranti	Tuesday	-	-	-
Fletcher King	Monday	1.8	0.5	0.5
Gieves Group	Tuesday	1.5	1.5	-
Halma	Tuesday	0.92	1.13	0.86
Hardy Oil & Gas	Monday	-	-	-
Harris (Philip) Hldgs	Monday	2.0	3.75	2.0
Hogg Robinson	Wednesday	2.25	3.3	2.5
Investment Co	Monday	0.37	0.77	0.37
I&S Optimum Income Tst	Tuesday	1.7	1.8	1.8
Ivory & Sime	Monday	1.25	4.5	1.25
JLI Group	Wednesday	1.43	2.87	1.5
Kalamazoo	Thursday	0.5	1.5	0.52
Latham (James)	Tuesday	2.0	4.5	1.5
London Electricity	Wednesday	-	10.45	6.0
ML Holdings	Wednesday	0.85	2.6	0.85
Neepsend	Thursday	0.5	1.0	0.5
NSM	Tuesday	0.5	-	-
Rothmans Int'l	Thursday	6.6	11.7	7.5
Scantronic	Thursday	0.79	2.18	0.79
South Wales Electricity	Thursday	-	11.8	5.25
Southern Electric	Thursday	-	10.12	4.8
Southern Water	Friday	5.9	11.8	6.5
Sterling Industries	Tuesday	1.5	4.1	1.5
Stoddard Sekers	Thursday	0.55	1.95	0.75
Syltone	Friday	3.0	6.0	3.15
TGI	Monday	2.2	-	-
Vistec Group	Friday	0.1	0.2	0.1
Wagon Industrial	Wednesday	6.32	10.87	6.32
Wessex Water	Tuesday	6.1	11.6	8.8
Westport Group	Monday	-	0.6	-
Whitecroft	Tuesday	4.6	5.4	3.3
Yorkshire Water	Thursday	5.9	11.8	6.5
INTERIM DIVIDENDS				
Airtours	Tuesday	2.0	21.0	
Bett Brothers	Friday	2.1	2.1	
Brunner Inv Tst	Friday	2.2	3.35	
Chiltern Radio	Thursday	1.0	1.0	
First Leisure	Wednesday	1.74	3.85	
Greenwich Resources	Thursday	-	-	
Hardys & Hansons	Thursday	13.4	24.1	
Heavitree Brewery	Monday	0.6	2.45	
[illegible] Group	Wednesday	0.75	1.65	
Kleinwort Charter Inv Tst	Tuesday	1.26	3.75	
Lee (Arthur) & Sons	Wednesday	1.65	4.25	
Shoprite Group	Tuesday	-	6.2	
Soundtracs	Thursday	0.85	1.35	
Southern Business	Wednesday	1.05	1.91	
TSB Group	Thursday	3.15	3.25	
Walker Greenbank	Wednesday	1.2	1.6	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

Directors' Transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Bentalls	Stor	24,000	33	2
Bowater	PP&P	46,116	368	1*
BPP	BusS	4,500	12	1
Carlton	Mdia	70,890	464	1*
Edinbrugh Inv Trust	InvT	10,000	24	1
European Colour	Chem	170,000	20	1
Hambros	MBnk	185,000	527	2*
Harng'ton Kilbride	Mdia	50,000	54	1*
Laird	Moto	29,651	98	1*
Metro Radio	Mdia	40,000	70	1
Pittard Garner	Misc	22,000	23	1
Sherwood Grp	Txtl	239,000	371	1*
Sinclair Wm	Misc	7,000	19	1
Time Products	Misc	50,000	89	1
Vodafone	Tele	37,000	138	1
Vosper Thornycroft	EngG	401,794	1,374	3
VSEL	EngG	100,000	445	1
Warburg (SG)	MBnk	10,925	61	1
PURCHASES				
Airsprung	Misc	6,000	24	1
Barrett (Henry)	Metl	45,000	10	2
BTR (Nylex)	Othi	50,000	A$120	1
Glaxo	Hlth	2,344	18	1
Inoco	Prop	250,000	15	1
MB Caradon	Cong	5,000	15	1
McLaughlin & Harvey	Conl	25,000	16	1
Owen &Rob'sn A Pref	Stor	500,000	275	1
Penna	BusS	24,000	32	1
Perkins Foods	FdM	145,000	144	3
Ropner	Cong	12,333	15	2
Spears (J)	Misc	3,700	11	3
Sunset & Vine	Mdia	40,000	58	1
Vivat Holdings	Text	33,000	11	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 8-12 June 1992.

Source: Directus Ltd, Edinburgh

SHARES AT Vosper Thornycroft, the ship-building and electronics firm, have been performing well since the beginning of the year. Following good year-end results, three directors have sold a total of more than 400,000 shares at 342p.

The company did, however, report a strong order book at the time of the figures and, while others were selling, Martin Jay, the managing director and chief executive, bought 1,460 shares, increasing his holding by more than one-third.

Perkins Foods, the food manufacturing and marketing company, has seen its shares underperform considerably over the past year. But the tide could be turning as Howard Philips, the chief executive, Ian Blackburn, the finance director, and Terence Finn, a non-executive director, have bought a total of 145,000 shares at prices around 100p. Each director already held a considerable number of shares but their investments remain significant in money terms nevertheless.

Following interim results at Metro Radio, an independent local radio services provider in Tyne and Wear and Cleveland, Michael Johnson, an executive director, sold 40,000 shares at 175p. Within the past year he has sold approximately one-quarter of his holding.

The Week Ahead

TSB back in black

TSB, the sixth largest UK banking group, is forecast to make a return to profits when it announces its half year results on Thursday.

A year ago, TSB dismayed the markets by unveiling pre-tax losses of £150m after Hill Samuel, the merchant bank bought by the group in 1988, made a loss of £319m after bad debt provisions of £344m.

This time around the news from Hill Samuel is still expected to be fairly grim, but reduced provisions and improved profits on the retail side should mean a pre-tax profit for the group of between £77m and £100m.

This is still way below the £175m pre-tax in the first half of 1989, but the market is more worried about further bad news than hopeful of a return to good times at TSB.

Airtours, the holiday company, is likely to report an interim pre-tax loss of £7.25m on Tuesday, up from a loss of £6.2m in the comparable period because of an expansion in the number of holidays on offer.

Traditionally, its first-half is always far weaker than its second. On that basis, and notwithstanding any collapse of demand or excessive discounting, the company should make an increased full-year profit of £36.5m compared with £27.5m.

Three more regional electricity companies are expected to announce bumper profits this week.

On Wednesday, London Electricity should report pre-tax profits of around £145.5m, up 41 per cent on last year's pro forma result.

Both Southern Electric and South Wales Electricity results are due on Thursday. Analysts expect an increase of around 50 per cent from Southern, giving pre-tax profit of close to £160m.

South Wales Electricity, the smallest of the 12 companies, is expected to report a comparatively modest rise of just below 30 per cent, giving pre-tax profits of just under £75m.

Three water companies are due to report next week. Wessex Water is likely to show a 17 per cent increase in fiscal 1992 profits to £77m on Tuesday. Yorkshire Water is forecast for a 10 per cent increase to £125m on Thursday.

Southern Water is pencilled in for a 14 per cent rise to £111m on Friday.

FINANCE AND THE FAMILY

Investing in . . . Italy

The cracks begin to show

***Scheherazade Daneshkhu** reports on a market for the risk-takers*

IF ART mirrors life, then the news last week that the Colosseum in Rome is beginning to fall apart is an apt metaphor for the political and economic problems afflicting Italy.

President Oscar Luigi Scalfaro has only this week been able to appoint a prime minister by asking Giuliano Amato, deputy leader of the Socialist party, to form Italy's 51st government since the war.

This is a full two months after the latest elections in which a resounding vote of no-confidence was given to the ruling Christian Democrat-Socialist alliance.

Italy has been leaderless at a time when important decisions are needed and constitutional reform is on the agenda.

The frustration was made clear by Carlo Azeglio Ciampi, governor of the Bank of Italy, when he called earlier this month for the urgent introduction of an austerity package to tackle the country's deteriorating economy.

Sentiment has not been helped by the brutal assassination last month of Giovanni Falcone, Italy's leading anti-Mafia magistrate, and revelations about a municipal corruption scandal in Milan.

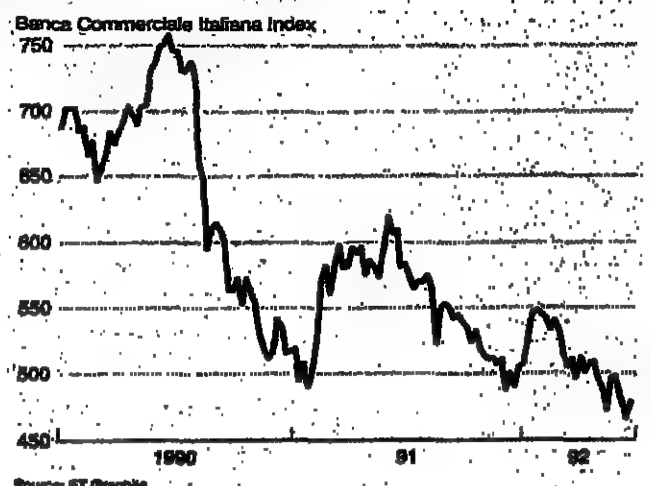
These uncertainties depressed the stock market, until the news that the appointment of a new prime minister was imminent caused a short-lived rally. The market started its downward slide almost exactly a year ago. The BCI index at June 4 was 10 per cent below its February high for the year according to J.P. Morgan and has underperformed the FT-A Europe index since then by 15 per cent. Most investors are underweight in Italian equities and J.P. Morgan recommends them to stay that way.

Should Italy be left well alone until it sorts itself out? Or is this a low point representing a good buying opportunity for brave investors?

There are certainly plenty of negatives. The main problem worrying fund managers is the growing size of Italy's budget deficit. Dino Fuschillo, of the fund management team for the Lazard European Growth unit trust, estimates this at L160,000bn-185,000bn for 1992, or around 11 per cent of gross domestic product.

This compares with 4 per cent in Germany, 1.5 per cent in France and 4 per cent in Spain. Yet, if Italy is to meet the convergence timetable set by the Maastricht treaty, it will have to reduce the figure to 3 per cent by the end of 1996.

Italy



Source: FT Graphite

Total public debt – more than 100 per cent of GDP – and retail price inflation of around 6 per cent also distance Italy increasingly from its main EC partners.

"Italy has to face up to a whole range of problems which, in the short term, it cannot do," says Stephen White, fund manager of Foreign & Colonial's Eurotrust.

For this reason, he has taken the Italian weighting in the fund down to 3 per cent – the lowest since June 1986, when it reached a high of 9 per cent.

Apart from inflation and the budget deficit, White points also to the increasing industrial competition being faced from neighbours such as France and Germany.

"Italy is locked into a fixed exchange rate. But its costs are rising in D-mark terms, and companies like Fiat are suffering because they used to be in a protected market," he says.

Yet, the Italian situation is paradoxical. The wealth of its private sector is in stark contrast to the poverty of the public sector, but its economy remains the world's fifth-largest and is ahead of the UK's.

It is the second-biggest producer of capital goods in Europe after Germany, and a 2 per cent growth in real GNP in 1990 was higher than the US and the UK.

There are some signs of an official determination to confront the economic problems. In January, the government imposed a six-month freeze on capital spending projects to hold down the public sector deficit; the caretaker administration extended this by three months.

Some fund managers see potential for a turnround. "There is no law that says Italy always has to be in a mess," says David Sachon, managing director of Hill Samuel unit trusts.

"There is potential for significant returns over 12 months because wage inflation has been brought under control, which is allowing the economy more space."

Sachon believes the government recognises that it will have to tackle the economic problems seriously if Italy is to play a full part in Europe.

The Italy weighting in Hill Samuel's European unit trust is 8 per cent, which is greater than in most other collective funds investing in Europe. Sachon says there are no plans to increase it because of the risk of continuing political instability. But he regards the Italian market as a stock-picking opportunity rather than one in which to spread assets.

"The private investor should think of Italy as a small part of his portfolio and identify reputable companies with a solid basis," Sachon notes. These include Eridania, an agro-industrial company, responsible for the improvement in the operating results of Montedison, the Italian chemical and agribusiness concern.

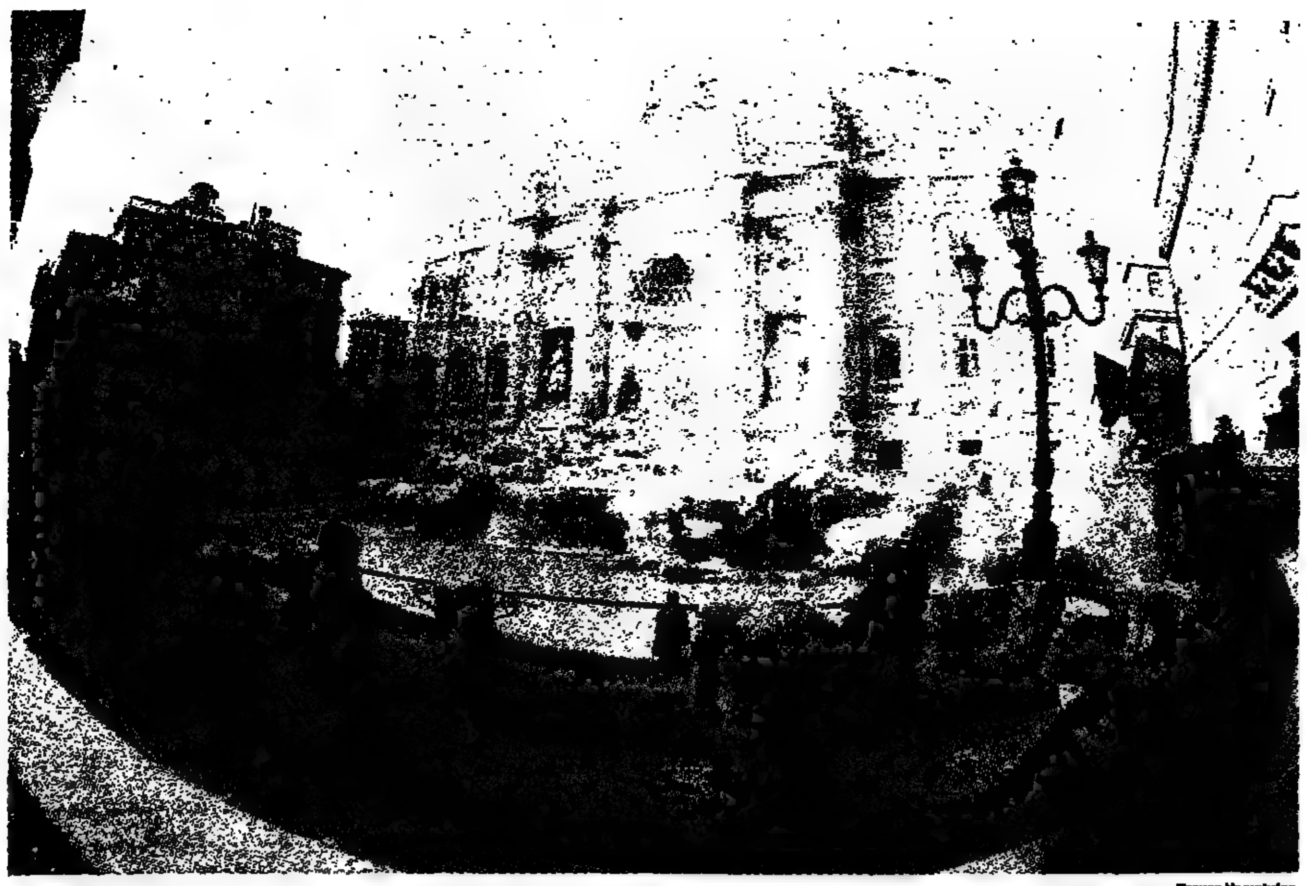
The Italian market is certainly cheap in price to cash flow terms of 2.8 compared with 6.6 for France, 5.8 for Germany and 5.8 for West Europe, excluding the UK which is 10.0.

"You can pick up 15-20 stocks at low levels but you have to be selective," says Francesco Ricciuli, Italian equity market analyst at Paribas.

He favours Sirte, Stet and Italcapel in the telecoms sector; Sai and Ras in the insurance market; Sme in food; Credito Italiano and Banco Lariano in the banking sector; and Teleco Cavi, the equipment manufacturer.

Trading volume, though volatile, has been generally thin and it is unclear where the demand for a stream of new issues due on the market is to come from.

The potential for volatility means that the opportunities that might exist in Italy still are reserved very much for risk-takers.



Trevor Humphries

Taking it easy around Rome's Trevi fountain . . . but politically the nation remains in a state of acute frustration

FACTFILE: Italy

Population 1990:	57.7m
Gross Domestic Product 1991:	£653bn
Market Capitalisation, end 1991:	£82.3bn
Inflation Rate, May 1992:	5.6 per cent
Interest Rate (discount), June 15:	12 percent
Exchange Rate, June 15:	£1 = L2207.8

BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£1,000	10.40%	Yly
Cheltenham & Gloucester BS	London Share A/C	0800 717505	Instant	£2,500	10.40%	Yly
Bristol & West BS	Balmoral A/C	081 225 3557	Instant	£25,000	10.80%	Yly
Chelsea BS	*Premier A/C III*	0800 272505	30.9.94	£10,000	11.75#	Yly
Cheltenham & Gloucester BS	Golden Term Share	0800 717505	4 Year	£25,000	12.25♠	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	12.88%	Yly
National Counties BS		0372 742211	5 Year	£3,000	12.00%	Yly
Exeter Bank		0392 50635	5 Year	£250	11.25%	Qly
West Bromwich BS		021 525 7070	5 Year	£150	11.60%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	9.50%	Yly
UDT	Capital Plus	0734 580411	Instant	£1,000	9.40%	Qly
Chelsea BS	*Classic Postal*	0242 521391	Instant	£5,000	9.75%	Yly
				£10,000	10.00%	Yly
				£25,000	10.50%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich (Guernsey) Ltd	Intl Gross	0481 715735	Instant	£500	9.50%	Yly
Yorkshire Guernsey BS	Key Ninety	0481 719898	90 Day	£50,000	10.75%	Yly
Yorkshire Guernsey BS	Key Term Share	0481 719898	31.8.93	£10,000	11.00♠	OM
				£25,000	11.25♠	OM
				£50,000	11.75♠	OM
GUARANTEED INCOME BONDS (Net)						
Prosperity Life FN		0800 521546	1 Year	£25,000	8.35%	Yly
Financial Assurance FN		081 367 0000	2 Year	£5,000	8.30%	Yly
Liberty Life FN		081 440 8210	3 Year	£25,000	8.40%	Yly
Financial Assurance FN		081 367 0000	4 Year	£5,000	8.25%	Yly
Aetna FN		0800 010575	5 Year	£50,000	8.40%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	8.50%	Yly
	Income Bonds		3 Month	£2,000	9.25%	Mly
	Capital Bonds D		5 Year	£100	10.75F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	37th Issue		5 Year	£25	8.00%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond B		5 Year	£25	10.9%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed= Fixed Rate (All other rates are variable) OM= Interest paid on maturity. N= Net Rate. B= Bond. # = Rate fixed until 1.10.92. ♠ = Rate fixed until 1.8.92. ♠ Rate fixed until 31.8.92.

Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walsham House, Stalham, Norwich. Readers can obtain a complimentary copy by phoning 0692 582808.

Trustees told: do your job properly

***Caroline Garnham** reports on a High Court rebuke to NatWest — and its implications*

THE HIGH Court last month fired a shot across the bows of trust fund managers. Although Lord Justices Dillon, Staughton and Legatt decided unanimously in the Court of Appeal that the National Westminster bank had not been in breach of its duty as administrator of a will trust, they made several stinging criticisms.

Lord Justice Staughton said the bank had fallen "woefully short" of maintaining the real value of the fund, let alone matching the average increase in the price of ordinary shares. He added that the trustees had failed to conduct a regular and periodic review of the investments and spoke of "incompetence and idleness."

Lord Justice Dillon said the bank had "little to be proud of" in its handling of the fund. But the most damning comment came from Lord Justice Legatt, who declared that "no testator would choose the defendant bank for the effective management of his investment."

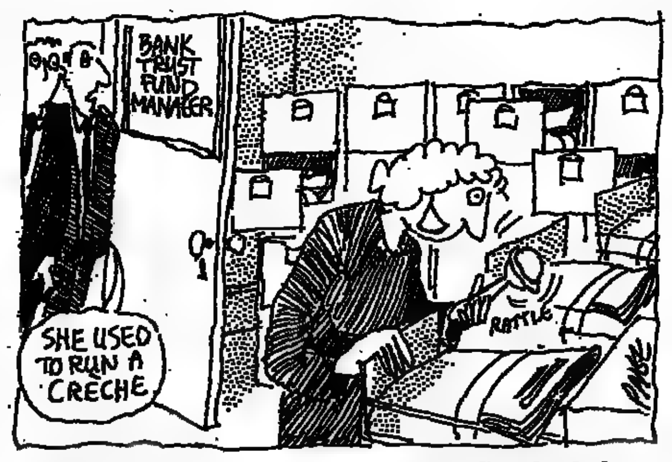
The facts are simple. A man named Nestle died in 1922, leaving an annuity fund of about £37,000 and two subsidiary funds of about £5,000 each. He appointed the National Provincial Bank (later incorporated into NatWest) to look after them as a trustee for his family.

In 1986, when the trust ended, a woman descendant was paid £269,203 as the sole beneficiary. But she claimed this was not enough and that NatWest had misunderstood its powers of investment. She said the bank had put money only into fixed-interest securities and bank and insurance shares rather than in a wider range of equities which probably would have performed better through the 1970s and '80s.

Case law on the liability of trustees for breach of their investment duties has remained relatively static since the last century. In 1886, Lord Lindley said the duty of a trustee was to be just as careful as an ordinary prudent man when investing for the benefit of others.

In 1961, the Trustee Investments Act set out in further detail the duties of trustees. They should:

■ Diversify investments so long as this suited the circumstances of the trust.
■ Decide if particular investments were suitable.
■ Get and consider proper written advice about whether the investments were satisfactory.
■ Review the investments at regular intervals to decide if they should be kept or changed.



The woman, who had already lost before Mr Justice Hoffman in the High Court, lost again because the judges ruled she had failed to show that the fund's value had performed less well than it would have done if the bank had not misunderstood the investment clause.

They said the fund had kept pace with the cost of living and had outperformed certain unit trusts. It had not kept up with the FT-SE share index, but it was accepted that this could be difficult for any investment manager to achieve.

So why, then, were the judges so critical of the trustees? Possibly because the fund had increased eight times under NatWest's management; thus, despite the bank's poor administration, the judges could not find that it was liable for breach of trust.

The case might not have been the best one to bring before the Court of Appeal, since the fund had performed reasonably well. But the judges did feel it was appropriate to warn all professional trustees that, if they were charging a fee, they should provide a professional service; and that any trustee which failed to preserve a fund's capital value through incompetence and idleness might not treated in the same way as the trustee in this case.

The decision is, however, disappointing for both settlors and beneficiaries who might be left feeling they cannot get redress from the courts for anything other than a disaster resulting from incompetence and idleness. A trustee may be judged by absence of default rather than lack of success. This puts the onus back on settlors and beneficiaries alike to keep an eye on their trustees' performance.

So what can a settlor do to keep his trustees on their professional toes? Certainly, if you have not yet set up a trust, there is nothing to stop you taking advice on how to impose special duties and obligations on trustees.

In addition, you could reserve power in the trust deed, either for yourself or a third party, to remove the trustees without explanation. (You could find, however, that trustees would resist these clauses or refuse to be a trustee at all).

For trusts already in existence, it might not be possible to add such provisions. If you are a beneficiary, you should first ask your trustees for information on how they are administering the fund. If you are not happy with this, you should then remind them of their investment duties.

Only if this fails should you consider removing them, although this could mean going to the courts — which could be time-consuming and costly. Even then, success is not guaranteed.

■ *Caroline Garnham is a tax lawyer with the City firm of Simmons & Simmons.*

Cautious mortgage lenders redo their sums

*Expenditure and net income are becoming part of the home loan calculations, writes **David Barchard***

FOR many years, income has been the standard yardstick for judging the size of the mortgage which a house buyer can afford.

For couples the formula has been three plus one: that is, three times the larger income plus the smaller income multiplied by one. A single person can expect to get a mortgage of up to three times his or her annual salary.

As many families can ruefully testify, borrowing on this scale can be quite painful, particularly if you take out your mortgage when rates are low and then find yourself struggling to keep up with the monthly payments when interest rates are higher.

In the 1980s housing boom, that fact did not deter some building societies from lending much larger amounts to their customers. Some lenders were willing to advance up to five times a customer's annual income.

If you are applying for a mortgage these days, you may well find yourself being asked to fill in a form listing your monthly outgoings or you may have to give information to your mortgage broker who will perform this task for you.

Calculations are based on post-tax net monthly income, and existing borrowing, mortgage and any car loans only. Utility payments such as gas and electricity bills are not necessarily needed.

Nationwide, the second largest building society, now asks customers whose loans are over 90 per cent of the value of the property to supply details of their income and spending, some other societies do the same.

These details are usually not very rigidly policed, but they do give the lender a more exact idea of how affluent (or not) its prospective customer is. Borrowers are forced to think about exactly how much cash they will have in hand each month, once the direct debit on the mortgage starts to operate.

Affordability measures of this sort are also used behind the scenes by some lenders as a way of double-checking whether they should make a particular loan or not.

If you get into trouble keeping up your payments on an existing mortgage, you will find that your lender quickly steps in to measure your monthly outgoings.

National Westminster, the second largest high street bank, asks customers who have missed two month's mortgage payments to fill in a form on monthly outgoings to help assess their ability to recover

Customers are not obliged to fill in the form, though anyone two months behind with the payments on their home is not best-advised to get on the wrong side of their lender.

The most radical step has been taken by BNP Mortgages, the UK offshoot of the French bank, which asks its customers to go through a much more complex set of measurements of their disposable cash to show that they can afford the mortgage they are contemplating.

Donald Cameron-Moore, chief executive of BNP Mortgage says that BNP will lend mortgages whose monthly payments are up to 35 per cent of the net income of a customer, after tax and other deductions including car and travel expenses.

"The result is that we lend less than competitors using the traditional multiple, but we do lend more on joint applications on mortgages up to £100,000," says Cameron-Moore.

He believes that some intermediaries appreciate the system since it reduces the risks for both borrowers and intermediaries.

"I have my doubts about whether these new measurements will make much difference to the market. The question is what happens to interest rates. If they go up again, you will have the same problem," says Ian Darby, managing director of John Charcol, the mortgage lender.

There are already some signs that building societies do not like cumbersome restrictions which interfere with the flow of business in a thin market.

For example, in a move designed to make mortgage fraud more difficult, some lenders were demanding that borrowers produce identity documents such as a birth certificate, driving licence or community charge book if they came from intermediaries, but they now seem to be relaxing these requirements.

Pension investors to face bonus squeeze

Debbie Harrison reports on moves to cut returns on contracts

PENSION investors could face sharp cuts in bonuses and radical changes in the way these are allocated.

The Institute of Actuaries wants to see rates for pension contracts, based on traditional and unitised with-profits funds, changed to reflect the poor returns of the late 1980s and the predicted low yields of the 1990s.

The institute is alsolooking hard at how actuaries are dealing with unitised with-profits contracts. Little is known about the long-term implications for investors of these products; yet, by mid-1992, three-quarters of providers had replaced their traditional with-profits contract with a unitised version.

With-profits pensions have been available for the self-employed and those in non-pensionable employment since 1956, initially in the form of self-employed retirement annuities and, since July 1988, as personal pensions. Until three years ago, traditional with-profits contracts formed the backbone of this thriving market.

Under a traditional contract, the investor secures a substantial guaranteed sum at maturity, to which annual or reversionary bonuses are added. These bonuses, which smooth out fluctuations over the long term, are guaranteed and, once allocated, cannot be taken away. On top of this, there is a final or terminal bonus which is discretionary and reflects actual performance over the past 15 months.

This method of distributing profits to policyholders became more complex with the introduction of a two-tier annual bonus system. Originally, bonuses were paid as a percentage of the sum assured plus any attaching bonuses from previous years. Now, however, most providers allocate a lower bonus to the sum assured and a higher rate to the accrued bonuses. In this way, providers hope to cut overall payouts at the expense of the shorter-term contracts.

A second trend in recent years has been for providers to place greater emphasis on the discretionary final bonus. Under a Standard Life 25-year with-profits contract, for example, the terminal bonus accounts for more than 60 per cent of the total payout at maturity. At the other end of the spectrum, Commercial Union's terminal bonus accounts for under 30 per cent of final payout.

Advocates of the terminal bonus argue that it gives greater investment flexibility since a smaller part of the underlying fund has to be set aside in a special reserve to cover future guarantees. The pro-guarantees lobby argues that the shift in emphasis towards final bonus constitutes a significant change in the risk profile of these contracts.

In future, though, bonus rates may be cut severely as actuaries follow the guidelines expected to emerge from an investigation by the institute headed by Chris Headdon, senior assistant actuary with Equitable Life. He is chairman of the institute's working party on future bonus prospects which is examining how quickly, and by how much, bonus rates should be cut because of the influence of the European exchange rate mechanism coupled with a prolonged period of low inflation and low investment returns.

Headdon says: "It is generally accepted that bonus cuts have not gone far enough, although there are signs that the old reluctance to cut is being replaced by a more realistic attitude. The industry has not done itself any favours by treating the high declared bonus rates of the past as a sacred cow."

At the same time, the institute is examining the whole concept of the unitised with-profits contract. In spite of marketing claims that these products are easier to understand than the traditional contract, unitisation is not synonymous with simplification. This product does not offer a guaranteed sum at maturity; thus, the provider does not have to set aside such large reserves to meet its obligations. Also, the bonuses are declared in a different format from traditional contracts.

Most providers increase the value of the unit price but a minority, including Sun Life and Legal & General, maintain a fixed unit price and add bonuses through the allocation of extra units. Within these two systems, there are a host of variations on the way profit is distributed.

Moreover, one-third of providers – including Provident Life, Prudential, Sun Life and Scottish Equitable – do not offer a guaranteed minimum bonus. The rest provide a minimum of about 4 per cent per annum. Unitised funds also apply a final bonus, but the product has only been available for a few years and a clear pattern has not emerged.

The institute's working party on unitised funds is keen to investigate whether actuaries are tackling in the best way what is a relatively new product that now accounts for the majority of new pensions (and endowment) business.

Unitisation also heralded the arrival of the controversial market value adjuster (MVA). These adjusters are used as a safety net for providers in case of a mass exodus of clients following a drop in the markets, and allow them to reduce the value of units. In this respect, the guaranteed nature of the accruing bonuses is not so solid after all.

The working party on unitisation, which draws on expertise from the government actuary's department, life offices and actuarial consultants, requested detailed information from providers to determine how bonus rates are calculated and how the MVAs operate. The survey also examined investment policy and the level of reserves held to meet future obligations. The working party is expected to publish its findings shortly and could issue guidelines to actuaries operating unitised funds.

William Hewitson, chief actuary in the life insurance division at the government actuary's department, says: "In most cases, life offices introducing the product have at the same time withdrawn their traditional with-profits contract. The institute felt that this new concept should be the subject of a professional study to see what sort of practices were developing with the idea of setting some broad industry standards."

The investigation also spotlights concern over the almost wholesale abandonment of the traditional with-profits concept. This seems odd at a time when volatile markets and pension scandals have sent investors in their droves seeking lower risk pension policies underpinned by guarantees.

Providers claim that unitisation benefits the investor. But the proliferation of unitised contracts has taken place over the past three years when the call for life offices to cut bonuses and reduce pressure on reserves has intensified.

Since it is almost impossible to compare the two types of bonus rates, cynics might argue that the switch to unitisation has given providers the opportunity to revise contracts to suit themselves without inviting unwelcome publicity.

Capital gains and indexation

CGT INDEXATION ALLOWANCES: MAY

Month	1982	1983	1984	1985	1986
January	-	0.686	0.604	0.527	0.447
February	-	0.679	0.597	0.515	0.442
March	0.753	0.676	0.592	0.501	0.440
April	0.719	0.653	0.571	0.470	0.426
May	0.707	0.646	0.566	0.463	0.424
June	0.702	0.642	0.562	0.460	0.424
July	0.701	0.633	0.553	0.463	0.428
August	0.701	0.626	0.549	0.459	0.424
September	0.702	0.619	0.546	0.460	0.417
October	0.693	0.613	0.536	0.457	0.415
November	0.685	0.607	0.532	0.452	0.403
December	0.688	0.603	0.533	0.450	0.396
	1987	**1988**	**1989**	**1990**	**1991**
January	0.390	0.348	0.255	0.166	0.070
February	0.387	0.343	0.246	0.159	0.064
March	0.385	0.338	0.240	0.147	0.060
April	0.368	0.317	0.219	0.114	0.047
May	0.367	0.312	0.211	0.104	0.043
June	0.367	0.307	0.207	0.099	0.039
July	0.368	0.306	0.206	0.099	0.041
August	0.364	0.291	0.203	0.087	0.039
September	0.360	0.285	0.195	0.077	0.035
October	0.354	0.272	0.186	0.069	0.031
November	0.347	0.266	0.176	0.072	0.027
December	0.348	0.263	0.173	0.072	0.027

Source: Inland Revenue

THIS TABLE allows you to work out your capital gains tax liability after indexation for assets sold in May. Multiply the amount of money you paid for the asset by the figure shown for the month in which you bought it. If you then subtract this figure from the amount you received for it on the sale, this will give you your taxable gain or loss.

Suppose that you bought shares for £6,000 in February 1985 and sold them in April 1992 for £14,000. Multiplying the original cost by the February 1985 figure of 1.515 gives a total of £9,090. Subtracting that from £14,000 gives a gain for tax purposes of £4,910 - which is below the 1992-93 £5,800 CGT allowance. If you are selling shares bought before April 6 1982, you should use the March 1982 figure.

The value of the retail prices index, used to calculate many index-linked pension schemes was 139.3 for May (where the index at January 1987 is 100).

Chill extends beyond tree line

THE BOUNDARY between our property and the neighbouring property has been a tree line roughly 75 yards long with the mutual understanding that the trees themselves belong to our neighbour. There has never been a boundary fence in place.

We painted our house last September, which is surely our prerogative. Ever since our neighbours have been distinctly "cold".

Our neighbour has now decided that the boundary line needs clarification. We have looked at garden plans which reveal no means of assessing the boundary line save the garden area (which is complicated by the fact that the shapes are irregular).

I maintain that the boundary line is the tree line with my neighbour in possession of the trees, which is consistent with my area measurement. He insists that it is several feet past the trees on my side.

On whom does the onus lie to alter this mutually accepted boundary? I have no wish to involve myself in any legal expenses when I am not disputing its present position. Can my neighbour erect a fence where he assumes it lies? What are my rights in this case?

We have lived in the house since 1987 and have carried out many mutually beneficial improvements which our neighbour appreciated until now. We are a young family with three children and no wish to cause ill feeling or incur large expenses.

■ You have no obligation to do anything to resolve or fix the boundary. However, if your neighbour puts up a fence within your land you have little choice in practice other than to challenge him in court or by physically removing the fence. If you do not he will acquire title to the strip of your land which he has thus enclosed once 12 years have elapsed.

Second homes

I HAVE moved from my home as a result of changing my job and I am renting out my main residence. I am considering purchasing a second property for investment purposes and renting that out as well.

1. Can the excess interest on the loan for the second property, over and above rental income, be used to offset tax on the income from letting my original home?

2. Does it matter, for tax purposes, on which house the loan for the second property is secured?

3. Can qualifying expenses incurred in the tax year immediately prior to letting these properties, and solely related to preparation for letting, be used as an allowance for tax purposes against rental income in the current tax year?

4. Can you recommend a thorough text which covers residential lettings in detail?

■ The solicitors who act for you in the purchase will, of course, be able to guide you through the income tax and capital gains tax maze. (Before formally appointing a firm to act for you, however, it would be prudent to check that it has someone who is competent in the tax aspects of domestic property transactions.)

1. Yes; subject to the conditions set out in section 355(1)(b) of the Income and Corporation Taxes Act 1988 by virtue of section 355(4).

2. No; it is the use of the borrowed money which matters – not the security for the loan by virtue of section 354(1).

3. No. However, such expenditure may be deductible in calculating the chargeable gain when the house is sold, by virtue of Inland Revenue statement of practice D24:

"Expenditure on initial repairs to a property (including expenditure on decorations) undertaken in order to put it into a fit state for letting, and not allowable for the purposes of Schedule A, is regarded as allowable expenditure for capital gains tax purposes under section 38(1) of the Taxation of Chargeable Gains Act 1992."

4. You are probably better off talking to your solicitor.

The following free pamphlets from your tax office may be helpful, but they oversimplify the intricate and arbitrary rules laid down by Parliament: CGT4 – Capital gains tax: owner-occupied houses; IR87 – Rooms to let.

Miras on two homes

MY HUSBAND and I live in rented housing. I hope to obtain a job several hundred miles away where we intend to buy a house. My husband needs to retain a base in this area for his work, and he intends to buy a small flat near here.

Presuming I could get a large enough mortgage on my salary to buy the house in my name alone, could I then claim the £30,000 Miras tax relief? Could my husband then do the same for his flat?

■ It should be possible for each of you to obtain MIRAS relief so long as there are two separate properties, each occupied by the individual mortgagor in such a way that the property so occupied is his or her main residence.

An empty nest egg

MY PARTNER and I jointly own a house which has been empty for two years. I wish to sell it but my partner does not. Can I ask the partner to pay me my share of the value.

■ You can insist on a sale pursuant to the provisions of Section 30 of the Law and Property Act 1925, and can insist on being paid your share.

CGT on options

DOES indexation relief on capital gains on quoted shares apply to the period between the grant of an option to acquire a share at its current price at a future date and the exercising of the option?

I was granted the option in 1987 to acquire some shares under an Inland Revenue approved scheme and exercised the option in 1991. I then sold the shares and made a capital gain. The Revenue wish to charge capital gains tax on the difference in price between 1987 and 1991 with no indexation allowance.

■ The cost of the option ranks for indexation from the month in which the option was granted to the month in which it was exercised. The cost of exercising the option is added to the indexed cost of the option, and the total ranks for indexation from the month in which the option was exercised to the month in which the shares were sold.

If the shares were sold less than ten days after the option was exercised, however, the cost of the option ranks for indexation from the month in which it was granted to the month in which the shares were sold – and there is no indexation relief on the cost of exercising the option.

Ask your tax office for pamphlet CGT13: The indexation allowance for quoted shares.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

CORRECTION

AN incorrect reply was given in the item last week headed "Death duty again". It ignored paragraph 2 of schedule 6 to the Inheritance Tax Act 1984.

The correct position as stated in Chapter 7.17 of the Inland Revenue IHT 1 booklet is: "Where estate duty was paid on the death of one spouse on property in which the other was given a limited interest, for example, for life or widowhood or widowerhood, the property was usually exempt from estate duty on the death of the survivor. In such a case when the survivor dies, or the interest comes to an end or is disposed of, there will be no charge to IHT on the settled property if it would have been exempt from estate duty on the survivor's death."

IHT would not be payable on the death of the life tenant on the value of the settled fund as described by our reader.

A terribly English revolution

THE two-week tennis festival that begins on Monday on the lawns of the All England Lawn Tennis and Croquet Club (yes, they still wield the mallet there) will attract crowds approaching 400,000 to watch the best players in the world competing for record prize money of £4,416,000. The tournament will generate a surplus in excess of £12m for the Lawn Tennis Association, which will be ploughed back into the game, and the tennis will reach a worldwide television audience of 1.5bn.

After 117 years of growth, Wimbledon has become part of England's sporting psyche, as unmistakably English as Royal Ascot, Henley or the Lords Test. In a thoroughly commercial world it is remarkable that the relaxed garden party atmosphere at the Church Road ground has been maintained. How has this delicate balancing act been achieved? Professional amateurism. All the best features of the old traditions have been retained, and skilled professional managers have been introduced to guide the growing business in the best interests of British tennis.

The only commercial pressure at the first championship meeting in 1877 (for gentlemen only; women were not invited to compete until 1884) was to raise enough money to repair the broken pony roller. Play was suspended so that everyone could enjoy their two traditional days at Lord's for the Eton v Harrow cricket match. Some 200 spectators turned up on finals day, each paying two shillings. A profit of £10 ensured that the roller could be repaired.

The referee of that meeting was Dr Henry Jones, the man who had been the moving force behind the introduction of lawn tennis to the All England Croquet Club in 1875. He wrote for The Field, and had persuaded the then editor, J H Walsh, that the magazine should donate a cup, worth 25 guineas, as a prize for the first championship. I wonder what the good doctor would have thought about this year's singles champions, who will collect about £250,000 each.

The importance of Wimbledon to the LTA as the chief source of funds can hardly be overestimated. Ever since the move, in 1922, from the old ground in Worple Road to the present site, there has been an agreement to pass the full annual surplus from the championships to the governing body. In the pre-war years the surplus was about £30,000. In 1954 this had become £60,445. Ten years later it was still only £57,712. Following the introduction of open tennis in 1968, the revenues rose rapidly. In 1974 the surplus was £87,478; eight years later it passed the £1m mark. By 1985 it had reached £5m; by 1988 it was £7.6m. Last year it was £11.9m.

The tournament has always been alive to the need for change. It was the All England Club which prodded the International Tennis Federation into adopting open tennis by holding a professional tournament on the hallowed lawns in 1967. It may seem unthinkable that the club at the heart of the Establishment could be so revolutionary but this has always been Wimbledon's strength – to do what is right for tennis without losing the precious atmosphere.

Two traditions have been crucial in keeping Wimbledon's feel: the perseverance with grass and the royal connection.

Until 1974 three of the four Grand Slam Championships were played on grass courts, with the French Open alone played on their traditional *terre battu*, which we refer to now as clay. In 1975 the US Open at Forest Hills changed from grass to Har-Tru, before moving in 1978 to Flushing Meadows and DecoTurf II, an asphalt surface with a high, fast bounce. In 1988, the Australians moved from grass to Rebound Ace, a hard court which becomes uncomfortably hot in summer. Ever since then, there has been pressure on Wimbledon to change surface.

Yet Wimbledon was wise enough to know the value of being unique. Only at Wimbledon (and at the few lead-up tournaments) can the great players of today compete on the surface on which the giants of the past made their reputations.

Grass courts have always presented a unique test, because the bounce is never quite the same two days running. This calls for adaptability, speed of reflex and speed off the mark. There is no time to think on a grass court, so a player must have fast hand-eye co-ordination and rely on instinctive reaction to get to the ball in time to make a shot without being rushed. Technique, too, is put under the severest pressure, and the swing has to be shortened to cope with the fast bounce. With briefer rallies than on clay or cement, concentration is crucial. One lapse can cost you a match.

The grass courts themselves are part of the mystique of Wimbledon. So are the customs of asking the defending champions to open the Centre Court programme on each of the first two days, the insistence on predominantly white dress, the provision of public picnic areas in Aorangi Park, the daily starts at 2pm on the Centre Court and No.1 Court, the bow to royalty in the Royal Box, the limousine service, and afternoon tea with strawberries and cream. All these little touches have preserved a link with the past. It is a continuity the players respect and enjoy.

Ever since the then Prince of Wales, later George V, visited Wimbledon for the first time in 1907, and consented to become the club's first president, the championships have benefitted from the royal connection.

Star status has been a factor ever since Lottie Dod, the Cheshire schoolgirl, won the first of her five Wimbledon singles titles in 1877 – at 15 years and 285 days old – to become the youngest-ever champion.

Wimbledon soon succumbed to foreign invasion. In 1905 the ladies' singles went overseas for the first time through the success of May Sutton, the US champion. Two years later Norman Brookes, a talented left-hander from Melbourne, carried off the men's title to launch an invasion that would overwhelm the home players. Since the First World War, only one British man and five British women have won the singles at Wimbledon.

The arrival of Suzanne Lenglen, the mercurial Frenchwoman, in 1919, and the arrogant American, "Big" Bill Tilden, a year later, marked a turning point. Through their successes Wimbledon became recognised internationally as the world's greatest championship, a status it has never lost. Suzanne, an attractive figure in coloured bandeau and matching cardigan, won six singles titles with a balletic grace that captivated an admiring audience.

Tilden, a tall commanding figure with a complete repertoire of strokes and the natural showmanship of a film star (he was a keen but poor amateur actor), won three Wimbledon and seven US Championships. In the opinion of his contemporaries Tilden was the greatest player the game had produced.

John Barrett goes behind the ivy to find out how Wimbledon has become the leading tournament in a commercial world without losing its garden party feel

The period up to the Second World War saw revival in British fortunes. Fred Perry's three successes in 1934, 1935 and 1936, together with Dorothy Round's two Wimbledon singles successes in 1934 and 1937, marked the pinnacle of British achievement.

The stars of the post-war era flared brightly but briefly before disappearing into the professional void. Kramer, Trabert, Hoad and Rosewall were names to conjure with before they were swallowed up.

With the arrival of open tennis in 1968 it was inevitable that commercial interests would intrude on what had been a staunchly amateur scene. While other tournaments leapt at the chance to maximise their income by allowing advertising to proliferate around the perimeters of their show courts, the Wimbledon approach was far more subtle. Direct exposure was restricted to a small number of companies – Rolex on the clocks and scoreboards, Coca-Cola on the drink dispensers, Robinsons on the bottles of Barley Water, Slazenger on the canvas surrounds. This preserved the uncluttered look on all the courts and with fast rising revenues from television, ticket sales, the hire of entertainment marquees, and the merchandising of the Wimbledon name produced the growing surpluses.

Britain's standings on the two international ranking lists are at their lowest ever level. While other leading tennis nations were investing in building new indoor and outdoor clubs, promoting the game against the rival claims of other leisure activities, the British were basking in the growing success of Wimbledon.

A succession of great champions enhanced Wimbledon's image. Rod Laver, the greatest player of those years (probably of all time), won two Grand Slams, as an amateur in 1962 and in 1969 as a professional. Margaret Court won the singles three times at Wimbledon as she collected 62 Grand Slam titles. Billie Jean King won her 20th Wimbledon title in 1979, to become the most successful champion. Bjorn Borg won five in a row, proving that baseliners could win on grass; Martina Navratilova claimed a ninth singles title in 1990, thus passing Helen Wills Moody's record. These stars made their reputations at Wimbledon. In return, they have maintained Wimbledon as the world's leading tennis tournament.

Perhaps the greatest lesson that Wimbledon has learned is that it must adapt to changing circumstances. Ever since the move to Church Road, the club has protected its interests by purchasing the surrounding land for parking and expansion. The annexation of the former Barkers Sports Ground in 1967 (leased to the New Zealand Club until 1987 and renamed Aorangi Park) allowed the construction of four more courts and the provision of extra space for public restaurants and picnic areas. This helped to preserve the garden party atmosphere.

This year the new, higher Centre Court roof has transformed the appearance of the old stadium. The removal of pillars makes it seem bigger and more modern, as well as providing a perfect view from all but 50 or so seats. A self-service cafeteria opens this year – and Radio Wimbledon starts broadcasting.

Yes, change is in the air. But, when it comes down to it, there will be the same sense of expectancy as new names appear on the scoreboard, the same tingle of excitement as the matches move towards their climax, the same sense of occasion as the champions receive their trophies from royal hands.

Whoever they are, these two young athletes will have become part of an enduring tradition. "Wimbledon champions." It doesn't get any better than that.

Richard Krajicek: the 21-year old Dutchman could provide an obstacle to champion Michael Stich

Master of mind games

AT FIRST glance it would seem that Jim Courier, the world No.1 and top seed, has been dealt a tough hand for the 106th Wimbledon Championship which starts on Monday.

His first opponent, Markus Zoecke of Germany, stands 1.96 meters in his socks and delivers one of the fastest serves in the business. But the rest of his game is brittle. Courier would then meet the winner of the section containing the No 16 seed David Wheaton, a semi-finalist last year, and two former champions, John McEnroe and Pat Cash. If he survives, there will be in his path either the tall Frenchman Guy Forget, seeded 9, or the diminutive American, Michael Chang, seeded 7. Finally, his prospective semi-final opponent is the No. 4 seed, Boris Becker, three times the champion, and a finalist six times in the last seven years.

Chatting with Jim this week on the Centre Court, I was impressed by his quiet confidence. He points out: "Everyone talks about the importance of the serve on the fast grass and assumes that guys like Becker, Edberg and Stich will have it all their own way. But you have to break the serve to win, so service return and ground strokes are really more important. After all I got to the quarters last year and so did Andre (Agassi). I'm a better player now and once I've adjusted to the bounce then I feel I have as good a chance as anyone else."

He makes a good point. The five consecutive victories of Bjorn Borg in the late 1970's were won mostly from the back of the court and Stich's success last year was based as much on the quality of his backhand returns and passes as on the penetration of his serve.

Although in theory Courier's game is not ideal for grass, he does have a wonderful serve and has been in the final of four of the last five Grand Slam championships, winning three of them. He has won his last 23 singles matches. That sort of record cannot be ignored; it reveals a strength of character and a technical adaptability superior to any of his current rivals. Tennis matches are won in the mind, and Courier has proved that he has the strongest mind in the business.

In a difficult year for forecasters, I believe Courier to be the most likely men's champion – although Stich, with a win on grass in Rosmalen last week and a soft draw as the No. 3 seed, must have a strong chance. He is due to play Pete Sampras or Richard Krajicek in the quarter-finals, and then Stefan Edberg in the semi-final, a match he won last year without breaking serve. Edberg will be burning for revenge.

The most fascinating thing about this year's Wimbledon is the return of Monica Seles after her mysterious non-arrival in 1991. Like Courier, the world champion is supposed to have a game unsuitable for grass. But cast your mind back two years: do you remember that spectacular quarter-final on Court No.1, Seles against Zina Garrison? For sheer drama it was quite unrivalled – the issue was in doubt until the last nail-biting second. Garrison had an inspired day, and kept hitting the lines with her volleys to inflict a 3-6 6-3 9-7 defeat on Seles.

And, like Courier, Seles has the most destructive ground strokes of the modern era. Already the reigning US, French and Australian champion, I believe that her improving serve, a greater readiness to volley and, of course, those relentless two-fisted drives will carry her to a first Wimbledon title.

Is there anyone who can stop her? I suppose Steffi Graf, the present champion, might – but the faithful forehand is not the weapon it was, and the anguish of losing the French final two weeks ago (after so many chances to win) will have its effect. Nor can I be too sanguine about the chances of last year's finalist, Gabriela Sabatini. Her nerve, on the great occasion, remains suspect. As for Martina Navratilova: her first-round loss at Eastbourne this week, added to a lack of match play, will militate against her.

J B

Golf/**John Hopkins**

A superstar signs in

WHEN Phil Mickelson turned professional recently, he did so to a roll of drums and a fanfare of trumpets. Not since Jack Nicklaus was a fat, crew cut teenager with a high pitched voice has a young amateur excited the world of golf like Mickelson.

It is not just because he is left handed, good looking in an aw-shucks sort of way and inordinately polite. He refers to Jack Nicklaus and Arnold Palmer as Mr Nicklaus and Mr Palmer. Nor is it that every manufacturer of golf equipment has been after him to sign a contract to use their clubs and every agent has tried to lure him into their stable. It is that on known form he is the most exciting amateur to join the paid ranks since Ben Crenshaw 20 years ago. There is even a suggestion that he is as good as Nicklaus was when he turned pro 30 years ago.

But Nicklaus did not become an instant millionaire the moment he signed as a pro. Mickelson did. He has signed a contract to play Yonex clubs for which he is reported to receive a annual salary of $500,000 (£294,117) and annual incentive bonuses of the same amount again. This is in addition to a signing bonus of $1m (£590,000). He was 22 last Tuesday. Some birthday present.

Mickelson began hitting shots when he was 1½ years old. At five he played his first round, accompanying his father. He was so keen he ran between shots. A natural right hander, Mickelson plays golf the other way around because of the way he was taught. He would stand facing his father and copy exactly what his father did.

Last Wednesday Mickelson sat at a dais, three feet above his questioners, in a room at the US Open. At his feet were America's golf writers. The symbolism was hard to avoid. "I have seen the future and I'm frightened," said one reporter after hearing Mickelson speak. There was none of the cockiness that Nicklaus had at the same age, nor, for that matter, much of the tongue-tied, golly-gosh syndrome that other young men demonstrate. Instead, we watched and listened to a young man who has been guided every step of the way these past few years by a coterie of advisers who include Dean Reinmuth, his golf teacher, Steve Loy, the Arizona State University golf coach, and sports psychologist Bob Rotella. He was nervous all right but that's no bad thing. At least he was gracious.

In my memory some players are filed under a section marked memorable stroke or incident. Seve Ballesteros's bunker shot with a three-wood during the 1983 Ryder Cup is one such stroke. The sight of Nicklaus conceding that putt to Tony Jacklin in the 1969 Ryder Cup is another. Mickelson playing a chip to the 15th green during the Walker Cup at Portmarnock last summer is a third.

The hole is praised and feared for its beauty and difficulty. To the right of the green, no more than two yards from the edge of the putting surface, is the beach. The green is elevated. The flag was in the middle of the green. Mickelson's ball had rolled off the putting surface and dribbled down the bank. He needed to loft the ball 12 or 15 feet in the air to get it up the bank and drop it as softly as he could so that it would stop near the flag.

Most other golfers in such a position would have chipped their ball with a straight-faced club, trundling it up the bank. Mickelson thought differently. The moment he pulled a sand wedge out of his bag a frisson of excitement went around the spectators. He was going to flop it onto the green. Peter Alliss was commentating and remembers thinking that such a shot could not be played. "He's an idiot to try it" Alliss thought.

Alliss and the rest of us were confounded when Mickelson's soft swing seemed to do little more than caress the ball. It inscribed a gentle parabola pitched by the flag and halted two feet further on. Having the nerve to consider such a shot was one thing; being able to bring it off quite another. It was clear then that we were watching a man of extraordinary talent. "No one else in the world could have played that shot" said Jim Gabrielson, the US team captain. "No one."

As they say in soccer circles, Mickelson now "has it all to do." Many young men have turned pro after dazzling amateur careers, one of the most recent being Scott Verplank who won one tournament on the pro tour while he was still an amateur – as did Mickelson. Whether Mickelson, who hit 68 to lie third after the first round of the US Open on Thursday, can succeed where they failed remains to be seen.

"Pressure is something exterior" he said once. "It's what the media put on you, what other people say. A ten-foot putt is a ten-foot putt whether it's for $100 or $1. Pressure is something that shouldn't affect you inside."

Brave, bold words. One hopes they do not come back to haunt this likeable young man. Golf needs him.

A talent to bemuse: Phil Mickelson goes for audacious shots

Cricket/**Teresa McLean**

Sussex seek spin to success

SUSSEX have never won the county championship. Back in the days before the championship as we know it, Sussex were declared "champions of the south" by the senior cricket year books, Wisden and *Cricketers' Companion*. That was in 1871, when Sussex were already established as one of the "celebrated counties", along with Surrey, Kent, Yorkshire and Nottinghamshire.

But celebration has never led Sussex quite as far as first place. Not in the county championship, anyway, although Sussex sometimes do better in one-day contests. They did not distinguish themselves in one-day last year, but they look back cheerfully to the way they won the first one-day contest ever held in Britain, the 1963 Gillette Cup, against all expectations.

Sussex have always been a county of surprises. They are a quixotic crew. Only with Sussex could C.B. Fry, world record long-jumper, England cricket captain, footballer, wit and scholar, man who was offered the throne of Albania, have blossomed in all his eccentric splendour. The county retains its capacity for the unexpected and when Paul Parker was relieved of the captaincy and signed for Durham last season, after 17 happy years with Sussex, he generously declared that he expected Sussex to win a trophy within two years.

It is possible. Breakthroughs are permanently possible at Sussex. It is greatly to the county's credit that they appointed a youth development officer last November, to organise local talent into a breakthrough squad for years to come. "It was expensive but it was worth it," said the Sussex coach, Norman Gifford, placidly watching his team being pulverised by Leicestershire last Friday and Saturday (Sussex 171 and 103; Leics. 251 and 24 for 0), before beating Leicestershire easily in the Sunday game. "We're investing in the future and the future lies in producing your own players."

A noble policy, consistent with Sussex's recent hard work on their second XI, a good number of whom are Sussex born and bred. While the first XI got the wooden spoon in 1990, the second XI were top of the Rapid Cricketline second XI championship. They fell to seventh place last year, partly because some of their best young players, such as Bradleigh Donelan, an off-spinner with a fast, flat and most effective arm action, became regulars in the first team. They must mature on the job. "It takes time. You have to allow time for these young players to find their feet and get used to first class matches."

'It is strange to find Sussex's weakness today seeming to be with bat rather than ball'

Gifford spoke between puffs on his pipe, thoughtfully and certainly. He positively oozes patience and encouragement for the up-and-coming players in whom he places his trust; whether he has the hard edge to push them past their problems must be doubtful, but he recognises that problems exist. "We've played better. We must do better than this, we can and I think we will."

Players who have caught the eye include: Martin Speight, batsman (1991: batting average of 39); Peter Moores, wicket-keeper and batsman (1991: 56 catches and six stumpings); Ian Salisbury, leg-spinner (1991: 48 wickets); Donelan, off-spinner (1991: 34 wickets and batting average of 35).

These last two make that most rare and dangerous of bowling forces, a partnership in complementary spin, hungry for blood. The emancipation of spin bowling has been one of the delights of this summer's cricket and Sussex, under Gifford's benign patronage, are in the forefront.

For those of us brought up on the glamorous batting of Ted Dexter, the Nawab of Pataudi and Imran Khan, it is strange to find Sussex's weakness today seeming to be with bat rather than ball. Although they pulled themselves up from last to 11th place last year, none of their batsmen, except Alan Wells, did himself justice.

The Wells family are one of the family dynasties that have long been a feature of Sussex cricket and Alan, a native of Newhaven, was helped by strong local support in his difficult task of taking over the captaincy from Parker before the end of the season. His batting blossomed and he managed calmly and well. Neil Lenham, a member of the old Lenham dynasty from Worthing, also batted well. With David Smith, he made a good but not inspired opening pair. Alan Wells' all-rounder brother, Colin, was hampered by injury; Jamie Hall and Speight were slightly disappointing; and Franklyn Stephenson, this year's newly-acquired all-rounder from Nottinghamshire, owes Sussex a few runs.

Stephenson was a brave choice because Sussex had to get rid of Tony Dodemaide, the Australian all-rounder who had served them well for three years, to make room. They have an unhappy reputation for getting rid of all their best players, but they were clear about their reason for removing Dodemaide: they wanted a strike bowler to rip out wickets, not a good, steady bowler who takes wickets without terrifying the opposition.

Success is always unpredictable at Sussex, which is a county of individuals, of hit-and-miss achievements. They have made themselves fast and furious fielders, but that is not enough and they are in danger of remaining always on the brink of doing well without ever doing it.

Their more experienced contingent needs to work more closely with the young players and Gifford believes Wells's leadership and Salisbury's move into Test match circles will help this happen. "It inspires the young players to see one of them making his way up through the system like Salisbury. They start to believe everything is possible. We'll miss him but it's a lovely thing for us."

Lovely things have been thin on the ground at Sussex in the last few years, but the club's members are "a loyal lot" who seem to be finding this year's mixed fortunes entertaining. Whatever else it is, cricket at Sussex is seldom dull. It is talented, needing only organisation and confidence before it comes into its own.

Sussex no longer play on the windswept old racecourse ground at Hastings, "beautifully embosomed with hills" (*The Field*, August 1859), but Hove and Eastbourne remain capitals of the county's seaside cricket and the enjoyment that has always graced it.

There can be no better way of describing the modern county cricket ideal than Gifford's: "What we want in Sussex is the happy medium between hungriness to win, such as Essex and Middlesex have, and the love of club traditions."

TRAVEL

It was a dark and stormy night . . . in Camelot

Nicholas Woodworth goes in search of the archetypal Cornish fishing village

"BUENOS DIAS!" There was a rattle at the door, a key turned, a floorboard creaked by my bedside.

"Buenos dias!" it came again, a cheerful, determined voice. A cup of tea was set on the bedside table. "Eight o'clock, morning tea. Breakfast in 30 minutes precisely. *Hasta la vista!*" The voice retreated, the door closed.

I focused on the ceiling. I was not, so far as I knew, in Spain, but Cornwall. This was not Fawlty Towers but a bed-and-breakfast called Dunoon. The man bringing tea was not Manuel, but David Castle, Cornishman, retired military man, and the proprietor of Dunoon.

Outside, the wind alternately sighed and screamed in the telephone wires. Seagulls cried faintly. Far below the house, at the bottom of the cliffs, sea waves crashed against the rocks. I drifted back to sleep, for 30 minutes precisely.

"Ocho y media!" Ocho y media!" A terrific din broke out at the bottom of the stairs. David Castle was vigorously swinging a large bell. "Eight thirty!" he shouted up. "Breakfast is on the table!" Like a new recruit I swung into my trousers, fumbled my way into shoes and shirt, and tumbled down the stairs.

■ ■ ■

David Castle, it turned out, is not completely potty, just enthusiastic about beginning a new life in Spain. He has lived most of his life in Port Isaac, and had enough of its moaning winds, plaintive seagulls, cliff-crashing waves and winter isolation. He knows that other, milder worlds exist.

As a young man his military career took him to the Mediterranean, and over the years he has made holiday escapes to Menorca no fewer than 16 times. Now he is ready to buy his dream house there. Dunoon is up for sale, and he is taking Spanish lessons in preparation for his departure. Far to the south, a gentle land of sunshine, Aertex shirts and golden beaches is waiting.

To an urban visitor like me, of course, the wild maritime terrain, bracing climate and out-of-season isolation is the whole point of going to a place like Port Isaac. There are few spots left on the English coast, especially in the vacationland of the south-west, that have not been overrun by tourist mobs, seafront amusement arcades and sticks of rock. Your chances of stumbling across a quaint Cornish fishing village are about as good as getting an authentic Cornish pasty from a dispensing machine at a motorway snack bar. Both exist, both are almost impossible to find.

But Port Isaac is about as close to the ideal as you can come these days. Here on the rugged North Cornwall coast, a 40-minute drive around the Camel estuary from Padstow, topography and a local conservation order have saved Port Isaac from over-development. There is no coastal road along this shore, for unlike other parts of Cornwall there are few sheltered harbours, sandy beaches or means of access to the sea. Precipitous 200-ft cliffs range the shoreline; sturdy sheep, occasional cliff-path walkers and the odd tractor are the only company you will run across.

July and August see an influx of summer tourists to Port Isaac, but even that has its limits. Built into a rocky, high-sided inlet, the village and everything about it is steep and tiny. Seventeenth-century slate and stone houses built on different levels cluster round a miniature walled harbour. Crooked lanes tail away into stepped footpaths. With many streets barely 6 ft wide, parking near the port is impossible except in the harbour-floor "tidal parking lot" – an option with nasty consequences for all but the shortest of short-term holiday-makers.

If topography is one limitation to tourism, so is weather. This is one of the windiest places in Britain – so windy, in fact, that the country's first electricity-generating wind-farm, a futuristic vision of vast, winged turbines, sits not far inland. An ever-present, inescapable element, the wind batters the cliffs, deforms bushes into ragged, lop-sided shapes, and brings in ocean storms with lightning speed. But for those who like the wilder, more unpredictable side of nature, cliff, sea, wind and storm all make for a grand show.

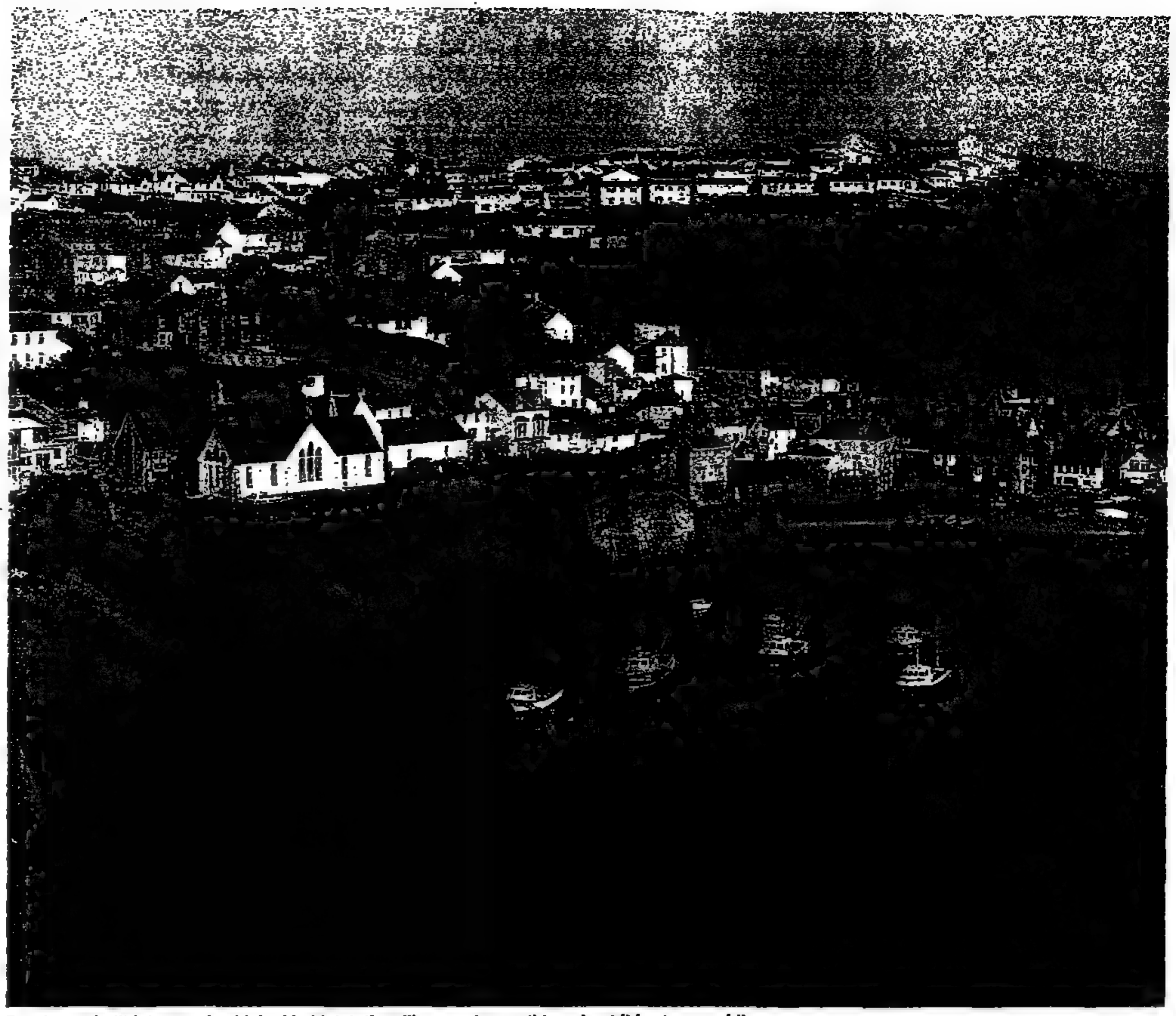
I began not with a natural, but a human show. After breakfast I set off in a blustery wind for Tintagel – better known to lovers of Arthurian legend as Camelot – half-an-hour away by car.

Although there is not much left of the castle at Tintagel, its site is romantic enough. Perched high over the roaring sea on a headland connected to the shore by the thinnest neck of rock, it is a wild place where, among crags and ruins, one can imagine Arthur and his knights gathered at the Round Table.

Unfortunately, not a scrap of evidence exists to show that King Arthur ever set foot in the place. If it was the 12th-century Geoffrey of Monmouth who invented the famous legends several hundred years after Arthur was supposed to have lived, and Thomas Mallory who popularised them some 300 years after that, it was a visit to Tintagel by Tennyson, and his subsequent *Morte d'Arthur*, that linked this place to the myth.

More unfortunately still, the Round Table in Tintagel these days is not a round table at all, but a bandwagon. The town's King Arthur's Hall of Chivalry is only the beginning of it. As I walked back from the castle to my car, I passed just a few of the establishments cashing in on the legend: King Arthur's Bookshop, King Arthur's Café, the Pendragon Gallery, Merlin's Gift Shop, the King Arthur's Arms. If there is a Chinese laundry in Tintagel, it probably has an Arthurian name.

Very different was a long cliff walk the next day around Pentire Point and along the Camel river estuary to the Padstow ferry. It is a hike that took me through some of the most colourful, and this time authentic, chapters of Cornish tradition.



Port Isaac: built into a rocky, high-sided inlet, the village and everything about it is steep and tiny

This was once one of the most dangerous coasts in England. From St Ives Bay to the Devon border extends a rocky, exposed shore which, for more than 80 miles, has no safe harbour where ships could run in rough weather. Sailing vessels were wrecked along here by the hundreds, and the Cornish population developed as fearsome a reputation for "wrecking" as for smuggling. Wreckers were opportunists who, from the cliff-tops, would follow a ship in trouble until it foundered and was driven ashore, then strip it of everything from cargo to cabin doors.

There are many dark tales of wreckers deliberately luring ships to destruction. On stormy nights, it is said, they would tie a lamp to a cow's tail and send it wandering off along the cliffs. Swinging to and fro like a ship's masthead light, it would draw vessels and their crews to certain death.

Padstow Bay and the mouth of the Camel estuary would appear to be one of the few safe havens along this coast, but in fact it was one of the most dangerous traps of all. This is the site of the dreaded Doom Bar, a broad expanse of sand stretching across the estuary mouth, through which only one narrow deepwater channel existed. If the name of that worthy organisation, the Padstow Harbour Association for the Preservation of Life and Property from Shipwreck, was somewhat long and awkward for use in split-second emergencies, it was none the less successful in rescuing many a mariner from a watery end on the Doom Bar.

I saw no wrecks on the day I walked along the sands at low tide, just the wind-whipped little church of Saint Enodoc, where John Betjeman is buried, and scores of bright orange and yellow wind-surfers making spectacular leaps over the waves of Padstow Bay. While the town of Padstow may no longer have to save vast numbers of sailors, it continues an equally admirable service; at Granny's Pasty Shop near the waterfront it makes a pasty that any Cornishman would be proud of.

The most pleasurable part of a stay in Port Isaac, though, is simply spending time around Port Isaac itself. Not even dirty weather detracts from the atmosphere; it adds to it. Down at the tiny harbour, locals stand about stacked lobster pots in the drizzle, talking fish. In the Port Isaac fisherman's co-op you can take refuge from spring gales and buy some of the finest cooked crabs around. In the Golden Lion on wet and foggy Saturday nights you can sip a pint and listen to wildly Celtic fiddle-playing.

And on the hill at a wind-battered house called Dunoon, of course, you can practise your Spanish with a man who would give it all up, just for a bit of sunshine.

Walk in a dry landscape

Michael J Woods finds life teeming in rocky Andalucia

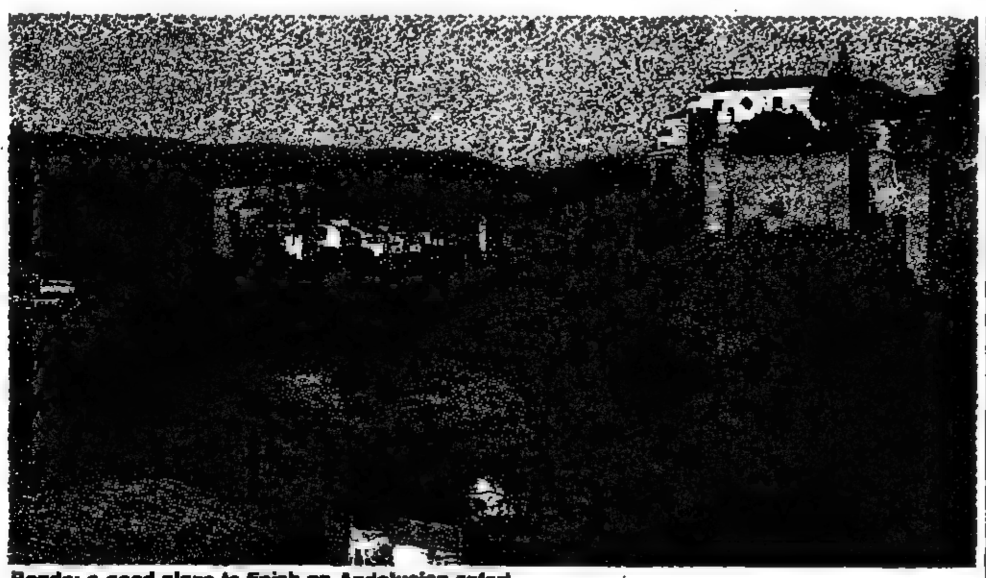
IT COULD have been Devon. The hillside dropped abruptly to the river below and the oaks clung to the slope. But these trees were different, their lower trunks naked like the smooth tanned legs of girls in tweedy shorts. The reason for this was that their cork bark had been harvested to stopper a million wine bottles.

We wandered down to the river below, although there was no water running in its stony bed at this end of summer, and came to rest among red-flowered oleanders. Here our host, Hugh Arbuthnott, unloaded cake, *fino* and home-made lemonade from one of the pack mules and distributed generous portions as we lounged in the shade.

Our short walk through the sierras of Andalucia proved to be a holiday for sybarites. We started near Gaucin and finished at Ronda. In between came gentle strolls through beautiful countryside from one relaxing stop to the next.

Sometimes Jane, Hugh's wife, would be there to meet us with rations of ice-cool apple juice or a basket of grapes. At others we relied on supplies carried in the panniers, or called at a farm and sat in the cool shadows of a spotless kitchen sipping drinks chilled by solar-powered refrigerator.

The Arbuthnotts have established a remarkably well-organised and comfortable walking safari in this corner of Spain. Under the surface is a carefully oiled machine run with a precision that reflects Hugh's military past.



Ronda: a good place to finish an Andalucian safari

Perhaps the most obvious clue to his attention to detail is the colour-coded tape which appears on your luggage on the first day and which ensures that you never have to lift it again. Cases and bags disappear from your room after you leave and are already waiting by your bed when you arrive at your night's destination.

Much of the cooking is done by Jane. At their farm, La Almuna, from where the walk begins, she grows fresh vegetables and herbs for their guests. Excellent local dishes are served on tables spread with white linen under shady trees.

The centrepiece of the week is the time spent in an African-style safari camp which uses large ridge tents imported from Kenya, big enough to house two duvet-covered single beds. The tents have been extended by Hugh to include a bathroom with hot shower. A ring of a sheep's bell brings staff bearing warm water to fill the shower container through a gap in the roof.

Probably the most exciting day's walk took us over a pass and into the Parque Natural de la Sierra. Although the initial climb was rather stiff, there were donkeys for those who needed help. When you crest the rise a limestone landscape of clints and grikes stretches away between the grey flanks of higher mountains. The water-worn fins of rock look as though they have been drawn up like clay between fingers, leaving small ridges behind.

The rock is pink blushed or subtly greyed with lichens like a delicately made-up face. In crevices inaccessible to the ubiquitous goats we found tiny ferns and the purple petals of autumn crocuses. Blue-winged grasshoppers flitted before our feet, a praying mantis buzzed past, a black spider scurried away; we even experienced a frisson of excitement when encountering a small scorpion.

Overhead, a griffon vulture was visible in the bright sunlight, spiralling in a generous gyre. Its wings were finger-feathered and broad – "like a tea-tray in the sky," as the field-guide put it.

We came down from the mountains to a golden valley, the Llano de Libar, sprinkled with chestnut Andalucian cattle and well-fleshed horses, as if we had stumbled on to the set of *Rawhide*.

The only person we saw was a Spaniard with a luxuriant moustache, carrying a lamb on his shoulders. Fluttering black redstarts chattered from the shade as we squinted up at a mewing buzzard during our post-picnic rest.

Like the other *pueblo blanco* in the area, Ronda is stunningly white, too bright to look at around mid-day, and is strung out along the lip of a honey-coloured cliff.

Its narrow streets and shady gardens are a delight, but the poisonous River Guadalevin which runs – grey, murky, foaming – under its famous bridge, emits a noxious stink that permeates the town. Ronda redeemed itself by offering wonderful views of a couple of peregrine falcons perched near the clifftop within yards of the hotel garden. These, too, reminded me of Devon, but in England I have neither seen them so closely nor watched them for so long.

■ *The Andalucian safari run by Hugh and Jane Arbuthnott is offered by Abercrombie & Kent (071-730-9600). Uphill stretches can be steep but the walking overall is not hard. Whenever possible, activity takes place during the cooler times of day. For this reason, safaris are not run during the second half of July or in August.*

A supersaver's Cotswold delight

Nicholas Lander pops down to Gloucestershire for lunch

THE JOURNEY to the restaurant cost me £9, the cost today of a taxi ride across central London. Instead, it was the 10.05 British Rail supersaver from Paddington which took me through 100 miles of English town and country and deposited me at 11.30, just in time for an aperitif, at Moreton-in-Marsh, Gloucestershire.

A brisk five-minute walk from the station and I was in the high street, a broad, tree-lined avenue which must have been a glorious sight in its heyday. Today, sadly, it is an incongruous mixture. At one end, in Cotswold stone, is the only inviting police station I have seen, but it faces a supermarket and an ugly complex of retirement homes. The rest of the high street contains antique shops, tea rooms, pubs, hotels, and two fish and chip shops.

On a corner is the Marsh Goose restaurant and food shop, which opened in November 1990. It has three owners: Gordon Campbell-Grey, Leo Brooke-Little and Sonya Kidney, the chef.

When I asked her whether a relatively small restaurant with three owners was not a recipe for disaster, she said they had all worked together for four years at the Feathers Hotel in Woodstock, Oxfordshire, and that, anyway, Campbell-Grey lives in New York. He checks on his investment with a weekly telephone call.

The Marsh Goose could almost be a village corner shop – you have to lower your head as you walk in, and there are piles of food here, cases of wine there – except for the quality of produce on offer: half-pints of home-made soup, a variety of patés and terrines, excellent lightly-cured gravadlax and some delicious breads and croissants, as well as biscuits and cakes from the kitchen's pastry section.

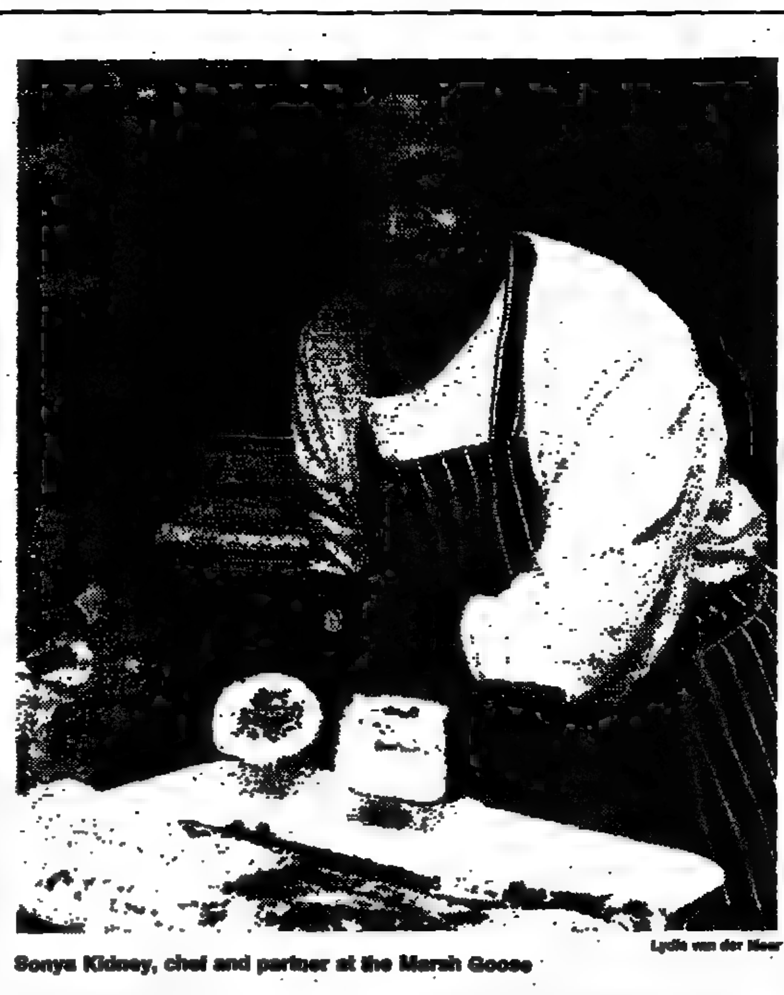
The £100,000 the partners have invested has been spent more noticeably on the restaurant next door. Skylights allow natural light into almost all of the building. Square, purpose-made dining tables with upright, padded chairs provide an air of comfort and elegance. The atmosphere and the food in the restaurant are distinctive, too. This is partly because of the partners' good taste, and partly because Kidney, 38, and Brooke-Little, 26, have not worked in very many other restaurants before. Indeed, Brooke-Little's only job before the Feathers was on a building site. Thus both have felt free to break the rules.

Front of house at the Marsh Goose, this manifests itself in three ways. First, the dining tables are not pre-set with cutlery – they are "laid up" only after your order is taken – which gives them an uncluttered look. Second, the waiters wear eye-catching bow ties (modelled on one worn by a guest to the opening).

Third, the partners realised from their time at the Feathers just how critical the pricing of their menu would be, particularly at lunchtime. That menu, therefore, begins with a list of starters and light meals (from £2 to £6.50), then a main course salad (£7.50) and, finally, a range of the more obvious hot main courses at £8-£10. This, together with a no-minimum-charge policy, has attracted more women and visitors at lunchtime, and caused the restaurant to rely less on local businessmen.

None of these thoughtful policies could have borne fruit without Kidney's obvious talents. Born in Barbados, she went to catering college in Wales and then to a succession of hotels and restaurants around England, including a stint at Sharrow Bay in the Lake District.

Her style is simple and direct. A smoked trout mousse wrapped in smoked salmon was rich and creamy but lightened by a well-dressed salad. A fillet of brill was cooked with top-quality saffron. And what could have been a sharp, iced, rhubarb terrine was sweetened by some delicious ginger shortbread.



Lydia van der Meer

Sonya Kidney, chef and partner at the Marsh Goose

I caught the train back to London, after an excellent meal, with some gravadlax in my bag for a more abstemious lunch the next day. My strongest memory, however, will be of looking through the kitchen door, watching a happy Sonya Kidney at work with an inspirational glass of mineral water at her side.

■ *The Marsh Goose, High Street, Moreton-in-Marsh, Gloucestershire GL56 0AX. Tel: 0608-52111. Closed Sunday evening and Monday. Access and Visa.*

Cookery / Philippa Davenport

Pleasures of the English summer table

HOLIDAYING in Herefordshire and Worcestershire, I was struck by the beauty of the scenery and the charm of the small towns – particularly Tenbury Wells and, just over the Shropshire border, Ludlow. The pleasures of the table were also considerable.

Hereford is famous for its beef. There are fine cheese-makers to be found in the surrounding area, good flour mills and bakers, and apple juices, cider and perry made from the fruits of local orchards. Soft fruit and vegetable growers are also plentiful, many organic.

One of the things we enjoyed most was meat from a small, Q Guild family butcher's shop, which that has been buying on the hoof, slaughtering and butchering, for 90 years: T H Checketts, of Ombersley, nr Droitwich (tel: 0905-620284).

Tony Checkett hangs his meat properly and shares my belief that heifer eats better than steer. The staff in his shop are young, friendly and knowledgeable. The forerib of

beef that I bought (from a heifer, hung for three weeks) made a memorable roast. Also excellent were their own bacon and meaty, simply-seasoned, pork sausages. I met other shoppers in the queue who come regularly from 20 miles away. I am not surprised.

Another highlight was succulent asparagus bought from Goodmans, of Walsgrove Farm, Great Witley, Worcs (tel: 0299-896272). They grow several varieties, some with deep purple tips, some the palest of greens, Geynlin, Franklin and a juicy whopper from Holland called Boonlim. The asparagus season is over, alas, but the soft red fruit season is getting into full swing. Freshly picked strawberries, raspberries and tayberries can be bought at Walsgrove farm gate or you can take a basket into the fields and pick your own.

Recommended to serve with the berries are soft fresh cheeses, yoghurts and creams by Pru Lloyd of The Dairy House, Weobley, nr Hereford (tel: 0544-318815). Her products are available at the farm and in many shops locally.

For hard cheeses we went to Old Ley Court, nr Churcham, just outside Gloucester (tel: 0452-750225). There Diana Smart and her son, Jamie, produce traditional hand-made Double Gloucester from full cream unpasteurised milk, and the lesser- known, fresher tasting Single Gloucester, which I like even better, which is saying quite a lot.

The cheeses can be ordered by telephone and sent by post, or can be collected from the farm – which gives you the chance to see the lovely old cheese presses in the dairy, and to choose your own cheese from the cool of the cheese store.

One of the most enchanted spots in Herefordshire is the nine-bedroomed Hope End Hotel, near Ledbury (tel: 0531-3613 fax: 0531-5697), where Elizabeth Barrett Browning spent many of her young days and time seems to stand still.

The house, with its minaret towers, arches and walled courtyards (one with a quince tree, the other with spring water tricking from a scallop shell into a small pool), lies in a cup of lovely parkland.

Patricia Hegarty's family have lived thereabouts for 600 years. Her cooking is firmly based on using the produce of the area and in particular on the offerings of the garden, where her husband, John, grows fruits, vegetables and herbs in the traditional way.

As result, the menus feature seasonal treats such as seakale, ruby chard, salsify, cardoons, butternut squash, cottagers' kale, morellos, whitecurrants, mulberries and many old varieties of apple and pear, including Black Worcester pear, recorded in the area in the 16th century, still displayed in the city's coat of arms.

ARTICHOKE & CRAYFISH (or *LOBSTER*) *FLAN*
(serves 8)

Patricia Hegarty uses her own home-made curd cheese for this, and artichokes grown in the walled garden at Hope End. Saltwater crayfish is also known as crawfish, spiny lobster or langouste. It is not the same thing as freshwater crayfish.

For the pastry: 3 oz of 100 per cent wholemeal flour; 2 oz unsalted butter; 1 tablespoon finely grated Parmesan or Cheddar cheese; up to 2 tablespoons cold water to bind.

For the filling: 6 medium sized globe artichokes; 1 freshly cooked saltwater crayfish or lobster; 3 large eggs; ¼ lb curd cheese; a little finely grated Parmesan or Cheddar cheese (optional).

Make the pastry in a food processor or electric mixer, and let it rest for at least 20 minutes. Roll it out very thinly on a cold floured surface, use it to line a 9 inch flan tin with a removeable base, and blind bake.

Boil the artichokes for 45 minutes. Take them apart. Save the fleshiest "petals" to decorate the finished dish, discard the chokes and chop the artichoke bottoms into ½ inch dice. Cut the crayfish or lobster meat into pieces of the same size.

Scatter both ingredients over the base of the pastry case. Beat the curd cheese with the eggs and season with sea salt and black pepper. Spoon the mixture over the shellfish and artichokes. A little grated cheese on top is nice too.

Bake at 350°F (180°C) gas mark 4 for 20-30 minutes until set. Serve warm or cold, surrounded by the reserved artichoke petals, with the green herb dressing to spoon over the flan, and a salad of buttercrunch lettuce and blanched courgette slices on the side.

GREEN HERB DRESSING

¼ pt green virgin olive oil; 1 oz cider vinegar; 1 tsp Dijon mustard (optional); basil or tarragon.

Mix the oil and vinegar with sea salt and mustard. Whizz in the chopped herbs at the last moment.

BUTTERCRUNCH AND COURGETTE SALAD

1 Buttercrunch lettuce; 6 young courgettes about 4 inches long; a little landcress or sweet marjoram; sunflower seeds or toasted sesame seeds.

Cut the courgettes into one-eighth inch slices. Blanch them for 1 minute in a little boiling water. Drain quickly, refresh in cold water and pat dry.

Break the lettuce leaves into large bite-size pieces, mix gently with the remaining ingredients and dress just before serving.

Appetisers

Time to bag a bagel

LEGEND has it that in 1683 a Viennese baker, honouring the king of Poland, created a quirky roll to resemble a stirrup because the monarch's favourite pastime was riding (bagel comes from the German *Bugel*, for stirrup).

Bagels became very popular in Poland, where they were given as gifts to women in childbirth (and by mothers to their children as nutritious teething rings). They were sold on strings in Russian towns, and were said to bring good luck and to have magical powers. Jewish immigrants fleeing persecution in eastern Europe introduced the bagel to the US where it is now part of the food culture.

Bagels are also big business in the UK. Eaten by the Jewish and east London communities for years, they were bought from small local shops, or from pushcarts on the streets. They were made by hand and eaten warm. You can still buy these from Bagel Bake at 159 Brick Lane, London E1. The bakery is open seven days a week, 24 hours a day (except Jewish holidays); it is worth the journey.

Elsewhere in Britain, the New York Bagel Company has brought its products to supermarkets. Tesco, Sainsbury, Safeway, Selfridges and Boots stock them, at 83p for a pack of four, and they come plain or with onion, cinnamon and raisin, garlic, or topped with sesame seeds or poppy seeds.

I have eaten them sliced, buttered, toasted or warmed, with and without various fillings, but I still prefer the plain bagel filled in the American way with pastrami and cream cheese.

If you work in the Docklands area of London, head for the Hot Bagel Shop at 4 South Quay Plaza, Marsh Wall, Isle of Dogs, E14, which sells very special filled bagels from only £1.

■ ■ ■

Cuban and Philippino cuisine will be featured at festivals planned for later in the year in the St James Court Hotel, Buckingham Gate, Westminster, London. (Tel: 071-834-6655. Fax: 071-823-5802).

Cubana Airlines will be flying two chefs to London to prepare authentic Cuban lunch and dinner menus, from September 14-26. The Philippine Festival will take place between November 9 and 20. On both occasions three-course lunches will be available at around £15 and dinner menus at £18.

Street food

Alf Tupper's FT treat

AS A BOY I encountered fish and chips twice a week. On Tuesday evenings, after cub scouts, at least 20 of us would invade the local chippy. On Fridays my comic would arrive, containing the latest episode in the life of Alf Tupper, the long-distance runner who vanquished all-comers on a diet of fish and chips.

I never fell for the life-enhancing properties of this wonderful combination, but I have never forgotten just how satisfying good fish and chips can be anywhere, from fairly sublime locations (on a beach near Sydney, in a garden in Auckland, even a romantic fish and chip lunch in England at the Flora Tea Rooms in Dunwich, Suffolk) to the more mundane repast eaten before or after the cinema.

I have developed tastes for more sophisticated fish and chips. At The Square, London SW1 (tel:071-839-8787) I recently ate a very good rendition rechristened "crusted turbot on a bed of creamed potatoes" and, at the occasional cocktail party, I have enjoyed a tiny portion of fish and chips served inside a miniature *FT*.

But these more sophisticated dishes only highlight why fish and chips work so well together.

When the fish is fresh, its taste (even that of the humble cod or plaice) is so delicate that it can easily be overpowered. Potatoes, simply cooked, are the perfect accompaniment. One of England's finest fish chefs, Richard Stein, of The Seafood Restaurant in Padstow, Cornwall, acknowledges this in his book *English Seafood Cookery* (Penguin £7.99), and simultaneously gives a recipe for coq d'or potatoes – thickly sliced potatoes covered in chicken stock and baked in the oven, a most delicious accompaniment to fish.

Convenience is almost as compelling a reason as taste for visiting a good fish and chip shop. A brief spell in the kitchens of Brady's, a fish restaurant in Wandsworth, south London, convinced me just how hot, sticky and potentially dangerous this relatively simple cooking process can be.

In front of two fryers containing vegetable oil at 375°F – most chip shops now use good quality vegetable oil rather than animal fats – you must skin and bone all your fish (that is how most customers like it).

For the chips you must secure a reliable supply of Maris Piper potatoes – according to Luke Brady those grown in Essex are far more suitable for the fryer than ones from Scotland. Put them through a mechanical peeler, rinse them twice, cut them mechanically, rinse them twice again and then blanch for 80 seconds in hot oil – making sure the temperature does not drop (the biggest cause of soggy chips). Preparing two 55lb bags, enough for 70-80 customers, will take three to four hours.

Tony Andrews

Amelia and Luke Brady at their Wandsworth fish shop

To cook the fish, dip both sides in what the trade calls "horseshoe", ground up rice husks, then in a flour and water batter. Cook it in the oil for 3-4 minutes. The chips need less time but both must be drained before being served.

The final ingredient, mushy peas, might not be to everyone's taste but they are still popular and any chippy's most profitable line. A 25lb sack of marrowfat peas costs £4 but will generate 200 portions at 60p each, having been soaked overnight, cooked in sugar and salt with the assistance of cooking tablets which help to break the peas down.

Behind the counter, it was the smell from the continuous frying that I was not prepared for. According to Luke Brady, you grow accustomed to it although you need to change your clothes after every service.

But it will take more than that to put me off fish and chips. Only if a really soggy version, wrapped in one of my articles, were served to me would I consider transferring my allegiance.

■ Among the best fish and chip shops and restaurants in London are: Nautilus, NW6; Sea Shell, NW1; Bradys SW18; Geale's W8; Seafresh SW1; Maxwell's of Ealing, NW3; Harry Ramsden's, Heathrow Airport Terminal 1 and in Guiseley, Yorkshire (0943-874641).

NL

Wine / Edmund Penning Rowsell

An Italian pioneer

IN GREAT demand in Italy, widely exported, particularly to Germany and the US, the wines of Collio and Colli Orientali are known in the UK only in specialist circles.

Indeed, not many wine amateurs in Britain could readily place them on the Italian wine map, for they come from a little-visited district on the extreme north-east frontier, pressing on the borders of what is now Slovenia: the region of Friuli-Venezia-Giulia. Two-thirds of the Collio vineyards are actually in Slovenia, and some Italian growers possess small vineyards across the border.

Their particular quality derives from the micro-climatic position on the first folds of the Julian Alps that protect the vineyards from northerly winds and ensure moderate weather from the Adriatic. The controlled appellation applies only to the hillside slopes.

The huge, flat vineyards, extending to the sea, produce enormous quantities of modest-quality dry whites, notably Grave del Friuli. Altogether Friuli contributes 1.5m hl to Italy's average output of 60m hl of red and white wine, but of this Collio produces only 120,000 hl and Colli Orientali 150,000 hl. Ninety per cent of the former is white; 70 per cent of the latter.

The success of the wines is, by historic standards, recent. Generally, Italian white wine lacks distinction, although the wines of the Trentino and Alto Adige are improving and there is a small amount of very variable, expensive Gavi. However, 25 years ago Collio wines were almost unknown outside Friuli and were not all that special then.

Much of the initiative for improvement is generally attributed to Mario Schiopetto, a man born in Udine, who studied engineering in the 1950s but did not finish the course. Instead, Schiopetto says, he drove trucks all over Europe and played rugby.

In the early 1960s he opened an *hosteria* in Udine. The only wines available for sale were just plain *rosso* and *bianco* of undisclosed origin. If any were varietal this was not advertised.

However, Schiopetto visited vineyards in France and Germany, and in 1964 he began traditional vinification methods by leasing 16 ha, which he acquired in 1988, from the Archbishop of Gorizia in the leading wine commune of Capriva. He said he used German techniques and French finesse on Italian grapes, and produced most of the wide range of white wines common in Collio, including Tocai, Sauvignon, Pinot Grigio, Malvasia and Ribolla Gialla.

He sold these in his *hosteria* to those who liked what he described as natural wine, not sugared, not excessively high in alcohol nor blended with wines from other regions. He took his wines to exhibitions in Bologna, Milan and elsewhere, where he won gold medals between 1967 and 1969.

In 1969 he sold his *hosteria* in order to concentrate on wine production. He wrote letters to professional men in Bologna, Milan and Turin, and took wine samples in a cold box to those who responded. This helped him introduce his wine to restaurants, where supplies tend always to be dominated by the big concerns. But his well-off private customers started to ask there for his wine. Since 1978 he has started using French *barriques* to ferment his wine – but only for red wines.

He, like most of the other leading Collio growers, is against oak *barriques* for the local whites, which have good varietal qualities, because oak produces tannins that are not natural, and change a wine's character.

This was echoed by another leading producer, Puiatti, whose wines are available from Wine Cellars, 153-155 Wandsworth High Street, London SW18. (Tel: 081-871-3979/3970). Puyatti says that oak "standardises" the wines. He puts 30 per cent of his red wines (made from Merlot Cabernet) into *barriques* for one year; they are bottled after almost three, and the whites after six months.

Ninety per cent of Schiopetto's wines are sold to restaurants all over Italy. His latest vintage was sold out by January at the fairly high price of 12,200 lire (£6) a bottle. His production averaged 140,000 bottles.

The elegant, flowery Tocai 1991 that I tasted would, he said, be better after two years, and I agreed.

I also sampled the typical but not aggressive Sauvignon 1991, with lots of flavour, and a delicious Pinot Bianco, from 1990 which contained 35 per cent Chardonnay and showed it on the bouquet. A 1990 Cabernet-Franc, just bottled, was closed but a Merlot '87, very light in colour, had a real "claret" nose – a light wine to drink, for the Collio reds are not for keeping.

HOW TO SPEND IT

New worshippers for Japan's Muji cult

UK retail sales may be gloomy but ***Lucia van der Post*** *finds a store chain which is expanding thanks to its no-frills philosophy*

JUST about a year ago a strange concept arrived in this country from Japan – a selection of clothes and household products that were almost monastically simple. They were sold by the "no brand goods" Muji shop, at 26 Great Marlborough Street, London W1. Although in Japan Muji had become something of a cult, with some 221 shops spread throughout the country, in the UK they were almost unknown.

Based on the notion that there must be a demand for well-made, well-designed simple clothing and household products, and that it was not always necessary to have a high-profile label and a glitzy front to appear desirable, the shops homed in on a kind of sophisticated simplicity that was a refreshing change from the "look-at-me" excesses of the 1980s.

In the UK, the first shop, the product of a joint venture between Ryohin Keikau and Liberty, echoed faithfully the philosophy of the Japanese model. Austere, rusty (but purposefully so) metal shelves displayed the clothing made from mainly natural materials and the small range of essential household products and stationery accessories. Clothes were primarily those that were meant to be worn and used and not just to adorn. Household products were functional, often of traditional design.

Now that simplicity and an air of elegant austerity have become fashionable, it is not surprising to learn that the first shop has prospered. The matt-black yuppie crowd, which once went in for lots of gleaming steel and instantly-recognisable labels, took to its ranges as they embraced their changed status in the 1990s. They went for the stationery and storage boxes in particular while the Muji T-shirt, dead plain in white or grey, with all the proportions just so, goes on selling and selling at £8.95 a go. So successful has it been that, yesterday, a second, much-enlarged, lighter, brighter Muji opened in London's Covent Garden at 39 Shelton Street.

The new site – some 2,200 square feet in an old Victorian warehouse – means the shop will be able to sell some products that are part of the core Muji range in Japan.

Design aficionados will be interested in the bicycle pictured right – first shown at the Tokyo Creative Exhibition at Liberty – where the catalogue described it as "a bike to hang on your wall as well as to ride." Designed by Satoshi Yasui, its chief claim to fame is that it has dispensed with that source of dirt and aggro, the chain, and substituted a shaft.

It is not the first shaft-driven bicycle but it is still new enough for most of us to be intrigued and fascinated. The Muji bike certainly looks good – simple, minimalist, streamlined, practical. It is the sort of bike that appeals to the designer brigade – it speaks of a love of clean, understated, unadorned aesthetics. The price of these aesthetics, it has to be made clear, is dear – the bike costs £650. There are probably plenty of people who prefer to broach their bicycle-buying from a more practical standpoint – like, what is it like to ride? Who better to ask than bicycle fan Max Wilkinson, *Weekend FT* editor, who reports on his test-ride in the accompanying story.

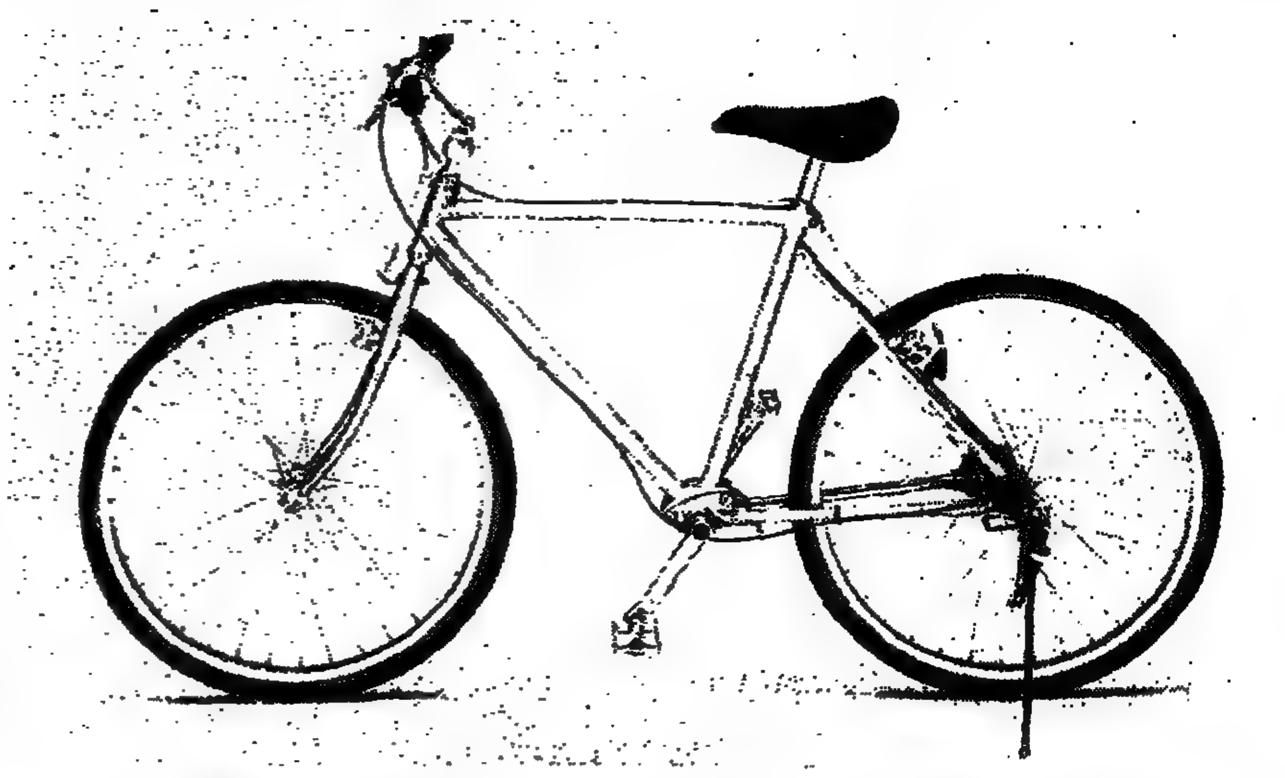
Apart from the bicycle, another new line for the British Muji is furniture. Now this is not the sort of product for those of you with country houses and rustic hideaways – these are brushed metal tables and shelf units, metal trolleys, drawer units and storage boxes, the sort of things you might need to fit out a workroom or a home office, to put order into a larder or a studio. The Muji boxes have been one of the great hits of the existing shop – in polypropylene, galvanised metal or just plain brown cardboard they are the basics of many a highly-organised filing system, whether for home or office. Boxes range from about £3.50 to £34 for the very largest size in acrylic, but there are lots at under £10.

Also look out for more clothes. Those who have admired traditional Japanese Mingei workwear – all those loose-wrapped, strong easy shapes in cotton indigo, seersucker and linen – will now have an authentic selection to choose from.

These, you will not be surprised to hear, are not clothes for wearing to Ascot, for wowing them at the Caprice or carrying the day in the boardroom. Not for nothing do they call them One Mile Wear. The loose-fitting tops and drawstring pants make comfortable clothes for relaxing in at home, for wearing in your local neighbourhood, while doing the shopping, or pottering round or doubling as pyjamas and dressing-gowns.

If that build-up sounds as if they are cheap the answer, I am afraid, is that they are not. By the time Japanese labour costs, standards of living and strong yen have been taken into account they emerge on our market as very expensive indeed, clothes strictly for those, I would say, for whom the Mingei cult is beguiling enough to make them pay the premium rate.

■ Sketched below is a set of trousers and jacket made from hand-dyed cotton, available in medium size only for men or women, £175. The traditional kimono is £100.



IT IS ***mildly pleasant for a middle-aged man to become a centre of attention among the golden youth that promenade in Covent Garden on a mid-summer morning.***

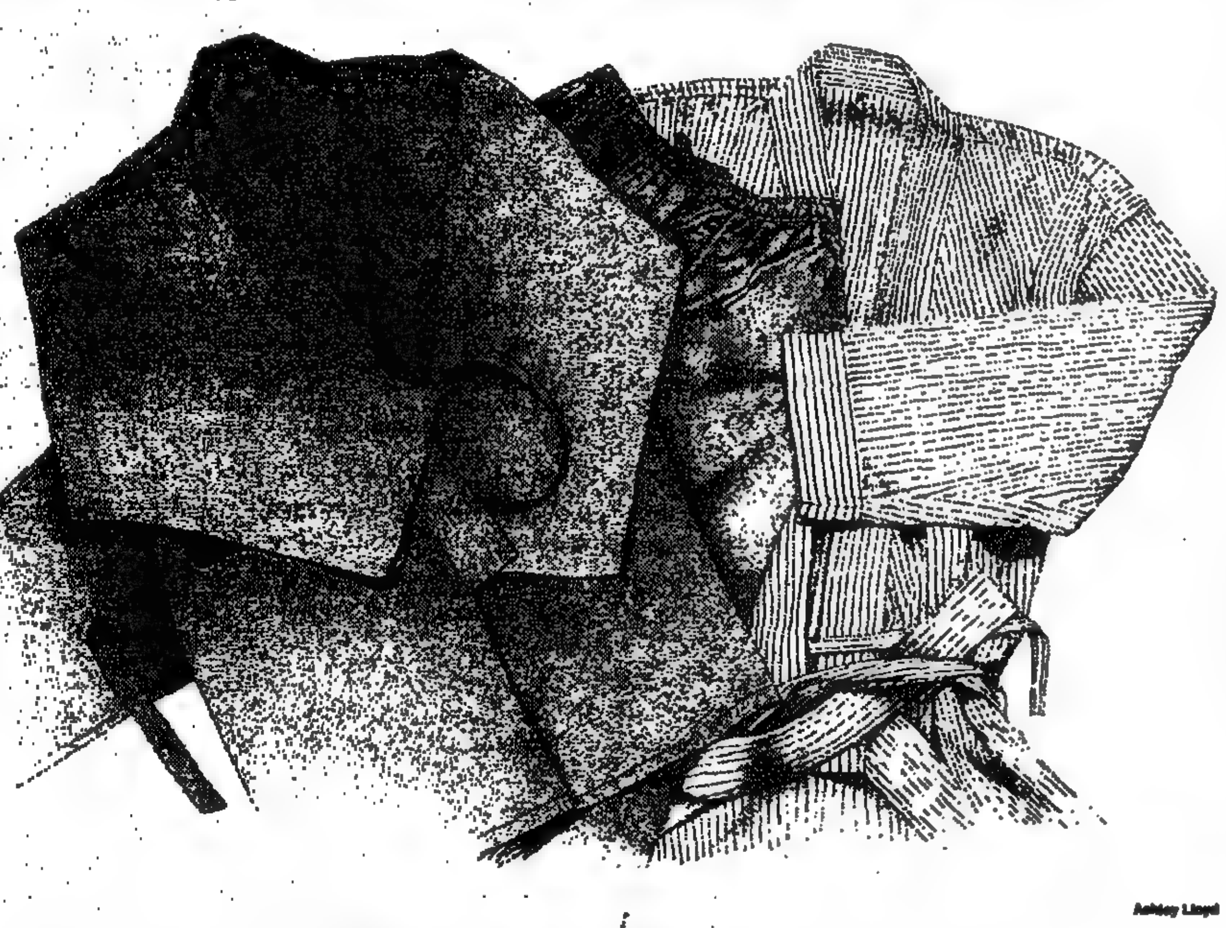
The object of their curiosity was a bicycle (pictured above) with no chain, which I was test-riding near Muji, the retailer which is importing it from Japan. The verdict? *Well, it certainly gets them chattering.* One American student, who picked it up and spun the back wheel critically, pronounced the direct drive through a lightweight axle and gears, "pretty impressive".

The mechanism seemed well made, and transmitted the power of the pedals efficiently. But in spite of this, the clean look and its exemplary lightness, I did not much like this bike. It comes *in only one frame size* (490mm or 19.3 inches), which for a six-footer like me, gives an awkward pedalling angle, with the handlebars too near the seat.

The gearing ratio is rather low (fine for uphill but tedious on the flat or down). The gears are old fashioned three-speed, rather than the more efficient chain shift; and for £650, I would expect a pair of mudguards.

Round the corner at Covent Garden Cycles I could choose from a range of mountain style 25 speed bicycles with custom-built frames in exactly the right size for £400 or less. And for a mere £438 at Bike UK in the YHA shop a block away, I could have bought a truly beautiful 14 speed lightweight racer/tourer – better *looking, faster, more comfortable* and two thirds of the price of the Muji talkabout.

But if you do not mind the price, hate dirty chains, care *little for bicycle geometry* and enjoy being stopped in the street, by all means try a Muji.



Ashley Lloyd

Super sales

HOLLY Golightly, you will remember, took herself off to Breakfast at Tiffany's whenever the mean reds hit her. For me, N. Bloom & Son, the jewellers at 40 Conduit Street, London, W1 has played much the same role. If ever I win the pools, N. Bloom *is going to be where I head first.*

It has always specialised in exactly the sort of antique pieces that are deliciously pretty and eminently wearable. For a combination of reasons, mostly connected with the fact that the lease is about to expire and, I daresay, not unrelated to it being hard times for one and all, N. Bloom is about to move and it is therefore having a sale. All jewellery is reduced by 40 per cent and all silver by 30 per cent.

This means that, for instance, a Cartier diamond, ruby and sapphire arrow and target brooch is down from £2,400 to £1,440, a cameo brooch is down from £1,450 to £870. Anyone with £35,000 to hand will be able to save £23,500 on an enchanting diamond necklace (once priced at £58,500).

■ Price's Patent Candle Company is one of those old-fashioned companies that most of us know and love. Although in recent years its image has become a little faded, it has been taken over *by new owners who intend to* breathe fresh life and energy into it.

Next weekend, on Saturday June 27 and Sunday June 28 at its factory at 110 York Road, Battersea, London SW11, it will be having a grand clearout of old stock. Prices will start as low as 20p. A wonderful chance to buy some real archive models. On the Saturday only the factory shop (just around the corner) will be selling church candles (more than 40 different sizes), creamy composition can*dles (from 36p to £39.50 for the* largest size, 3 ins diameter by 36ins high) and hand-made beeswax candles (50p each for ¾ ins diameter by 6 ins high). Stock up now for Christmas.

LvdP

A slice of history – but the historians disagree

Clive Fewins *reports on an archaeological row in York*

VISITORS to this month's York Festival (until July 5) will have a chance to walk round what what York Archaeological Trust has hailed as one of the most important archaeological reconstructions of recent times – but they will also be walking into controversy.

The £1.2m Barley Hall project was planned by the trust as a worthy sequel to the hugely successful Jorvik Viking Centre, which was opened in 1984, attracts 800,000 visitors and earns £1m a year for the trust.

Barley Hall is a reconstruction of what is thought to be the UK's only medieval hospice – a sort of hotel for clerics visiting the city. The trust plans to turn it into a living and working medieval household – a form of museum unique in Britain, it says.

However, the project has drawn fire from the verbal equivalent of a medieval siege engine in the form of the SPAB – the Society for the Protection of Ancient buildings. SPAB chairman James Boutwood has described Barley Hall as "yet another contribution to our Disneyland heritage," while secretary Philip Venning has dubbed it "an appalling scheme that should be damned utterly."

Venning has applied to the Department of the Environment on behalf of the society to have Barley Hall de-listed as a building of architectural and historical interest.

At the heart of the controversy is the fact that the trust took down the building to ground level before reconstructing it. In the process, says the SPAB, the restorers destroyed its entire history. "It is now virtually worthless as an object of serious study," Boutwood says.

The response from the trust has been vigorous. Director Dr Peter Addyman describes the work at Barley Hall as "the most detailed archaeological investigation of its kind to be undertaken in this country."

The result, he says, is that it has been possible to reconstruct an exact replica of the original building using many of the original timbers. Only elements of the original building too badly decayed to be re-used were discarded.

The remains of the original timbers have been blended with 4,000 pieces of new oak, some weighing up to seven tons, in a massive carpentry operation. "All survivors of the 520 or so timbers that constituted the original building were recorded and the whole process was monitored by an academic advisory committee," says Addyman. "The history of the building is now understood *for the first time. So how can it* have been destroyed?"

The reaction of the public to the project in the coming weeks will be vital. Throughout the festival tours of the hall are taking place twice daily. Members of the public can see inside Barley Hall for the first time and hear from guides how the building was rediscovered beneath a jumble of buildings of assorted ages, and the painstaking way in which the reconstruction was undertaken.

The judgment of visitors will determine the fundraising, which has reached a crucial stage. Although the project is slightly above budget the recession has reduced the numbers of companies prepared either to dip into their funds.

So far £100,000 has been raised, and although the building work is complete, the trust needs another £350,000 by July to enable it to continue to furnish Barley Hall and turn it into the "living museum" it is planning.

The eventual aim is that visitors to Barley Hall will be able to witness people inside replicating a working household, living in the fashion of their 15th century forbears, carrying out the same tasks in the same sort of way, in rooms looking exactly as they did in the 1480s.

The trust's researches have revealed much about the original occupant of the building, Alderman William Snawsell, a goldsmith and former Lord Mayor of York, and his family.

July is decision month, when the trust's council must decide whether to abandon, at least temporarily, completion of the project. If this were to happen the "mothballed" building might prove an equally fascinating – if better preserved – find for archaeologists in 500 years time as its predecessor's remains did for Addyman's team.

■ *York Archaeological Trust, 1, Pavement, York YO1 2NA.*
■ *York Festival and Mystery Plays. 0904-632323.*

Digging in the groves of academe

***Gerald Cadogan** revisits the perennial problem of affordable student lodgings*

BUYING a house for a university student son or daughter once seemed a good idea: student got three years' accommodation, parents got cash from lettings during holidays – and made a handsome profit at the end of their offspring's stay. That was the theory. Now alarm bells are starting to ring.

"Our financial planning did not work," say Miranda's parents. They bought her a flat in Edinburgh, which seemed a good idea for several reasons. In the event it brought nothing but trouble and a negligible capital gain.

Julia's parents bought her a terrace house in Oxford to live in while she was up at the university, but problems with mortgage interest relief and insurance mushroomed when she came down.

Rebecca, another Oxford student, says: "Be as specific as you can when you make the contracts with the others [sharing the house], and do not let friends be brought in who do not contribute."

Ever since the property boom of the late 1980s, students and parents have found buying a flat or house a mutually appealing idea. The young get a base of their own and are freed from dreary halls of residence or ruthless landlords. "Digs" are often simply too expensive. (It is a long time since I, when an Oxford undergraduate, had two rooms and a cooked breakfast, within walking distance of my college, for £3 a week; the Oxbridge college of today is furiously building accommodation with the aim of housing all its students.)

If you buy a house or flat for your child, the fellow students he or she selects will contribute to the outgoings and mortgage, almost certainly paying less than to a conventional landlord. Rebecca's housemates pay £125 a month for rent before the outgoings on utilities: a good price, but much dearer than living in college.

After Miranda's first year in a "grotty flat" in Edinburgh, her parents were posted abroad and decided to let the family home. She needed somewhere better as her base in Britain. A long rental in Edinburgh was impossible; buying was the alternative. Her parents paid a third more than they expected, but set against it the prospect of selling while they were abroad and, as non-residents, escaping capital gains tax.

They think now that they are lucky to have sold it at all – at a price which has produced only a small gain. But unexpectedly, they came home a tax year early, so they may be deemed resident for the time of sale – and taxable.

And as for all that cocktail party chat about money from letting for the Edinburgh Festival, it turned out to be a mirage, as agents wanted a huge commission. Finally, it was hard to get the flatmates to pay their share of the bills or keep the place clean.

Julia's complications at Oxford were different. Her parents gifted the house to her as a long-term transfer of assets and an investment to pay for itself. She became the owner-occupier, responsible for the mortgage and receiving the mortgage tax relief (MIRAS), with her housemates' payments going towards the mortgage. But when she left Oxford, they were no longer housemates. It became a commercial let, with different rules, and she another university landlady.

The trouble started with the insurance policy, which was solely for people living in their own house: if there was a fire or burglary and she was not living in the premises, the insurance company might not pay up. With Julia gone, expensive business tariffs applied. Then the building society put the mortgage up by 2 per cent and, as a matter of course, told the tax man she lived elsewhere. So her MIRAS disappeared.

Rebecca recommends specifying in writing at the start what rights the housemates have to introduce boy or girl friends, for how long, and on what terms. Other people's lovers are nothing but trouble, Rebecca has discovered, one night's stay often turns into a week – or even a term. She does not, however, have trouble with the utility bills. "I wait till the red one comes, and then pay up, and collect from the others. Itemised telephone bills are a great help."

Her father bought the house in her second year when she was still in college, and let it through Carter Jonas (0865-511444) to a New Zealand couple for nine months until she came in. She will be there for two years; more, if she stays on for post-graduate work. Then there will be a gap while he lets it again until – the family hopes – Rebecca's younger sister can use it. Her father sees the house as an investment and will sell it in five or six years.

Julia's father says: "It is not so simple as it looks."

Even if finding the cash is not a problem, think carefully before you put your money where your child is. Siren calls of what a good investment it will have been in five years' time should be the last consideration.

Student life – but parents should beware the housing burden

Charm in a little corner of Chelsea

THE FINEST surviving house in London by Charles Robert Ashbee (1863-1942), the influential architect, designer and romantic socialist, has come on to the market.

It is 38 Cheyne Walk, Chelsea, a tall, narrow, red-brick building with high, thin windows and a steep, white-painted gable, in the middle of which is a large rose window. Built in 1898-99 for an artist, Miss CL Christian, it stood originally between two other Ashbee houses, only one of which survives.

Ashbee's first house was at 37 Cheyne Walk, on the corner of Oakley Street; it was built in 1893-94 for his mother, with an office and studio for himself. Known as the Magpie & Stump, after an inn that used to stand on the site, it was demolished in 1968 to make way for a block of luxury flats.

When No. 38 was built, Ashbee erected the adjoining house, 39 Cheyne Walk, at the same time, as a speculation. It survives, although altered internally. (A perspective of both was exhibited at the Royal Academy in 1900.)

For all his socialist ideals, Ashbee was quite an important contractor and developer in his own right, and he made this little corner of Chelsea his own. Between 1893 and 1913 he designed no fewer than 30 houses in Cheyne Walk. Not all were built; but those that were (at 71-75), and those he repaired and altered for clients (at 118-119), were destroyed by German bombs in 1941. That leaves No. 38: listed Grade II for its architectural interest.

"We tried to take the house back to what it was in the beginning," says Ninky Phipps, who bought it with her husband 10 years ago and restored it carefully. They used a Scottish architect, Alastair Gourley, who has captured the spirit of Ashbee and laced it with a touch of Charles Rennie Mackintosh. He re-designed the kitchen, bathrooms and cloakrooms and installed fitted cupboards in the bedrooms and display shelves on the stairs.

The Phipps also have used the house as an art gallery, and it would make an ideal home for an art collector because its drawing room on the first floor was the main studio: 39 ft long with a ceiling 17 ft high, and steps to a gallery running along one side. There was another studio 32 ft long and 15 ft high, on the third floor, and a third studio on the top floor, 20 feet long, with an exposed timber ceiling, lit by the circular rose window facing south over the Thames.

These former studios are now used as bedrooms, and there are two other bedrooms and three bathrooms. The dining room, kitchen and breakfast room are on the ground floor, which is reached through ornamental gates and railings topped with golden balls, designed by Ashbee and made by his Guild of Handicraft. At the back of the house is a secluded walled garden, part of it with Tudor brickwork thought to date from 1519, when the site was part of Shrewsbury House.

Offers of £1.65m for the freehold are being sought by Knight Frank & Rutley (tel: 071-824-8171), which is acting jointly with Russell Simpson (071-225-0277). Freeholds are unusual in Chelsea, as most of the properties are held on lease from one or other of the traditional landowners such as Smith's Charity, Sloane-Stanley or the Cadogan estate. But there is another freehold on the market at 3 Cheyne Walk, another Grade II-listed Georgian house. Offers of £1.95m are being invited by Strutt & Parker (071-235-9959).

Michael Hanson

No 38 Cheyne Walk, facing south over the Thames

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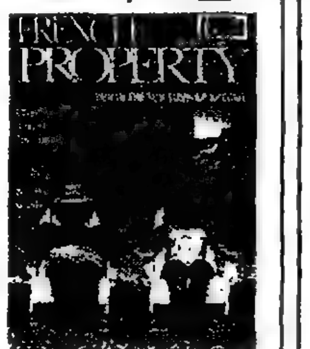

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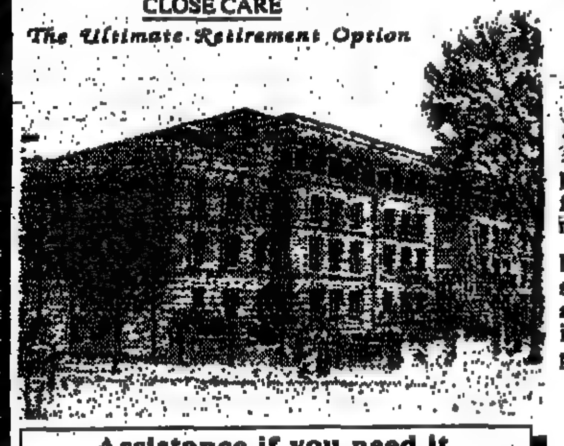

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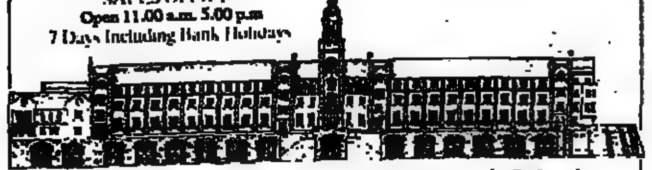

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GARDENING

What men do best

***Robin Lane Fox** provides some pointers about plant pots*

IT IS a heavenly week for gardening; June and July have been rolled into one; the season is crazily advanced and the evening light is showing everything to its best advantage. It is so marvellous that I will even give in to pressure.

Some of you still want to know where to buy a good garden pot – if you are not weather-beaten Sloanes and cannot buy unseen from potteries away in Warwickshire.

Others of you want to know more about crystals which retain water for pot plants – but you are not in a position to send away for bulk deliveries from Gloucester.

Last week, I wrote about Things Which Every Woman Does; the men have been feeling left out but, by the end of this piece, I promise that they will feel thoroughly wanted with a role that is all their own.

First, the pottery. Scavenging as always, I have headed for the shop called Patio at 155 Battersea Park Road, London SW8; I owe the tip to Roy Strong and his wife, who use it for the terracotta pottery in their garden on the Welsh borders. The shop is not at the smart and newly-Tory end of Battersea and its stock is not ridiculously over-priced.

Patio's partners import the very pots which make you wish you had brought the car or left more room in it when you meander round the Mediterranean; they have lemon pots from Italy, thick country pottery from Provence, and decorated clay cases from Spain. Some of them are still available after my pre-emptive strike last week.

Treated properly, the pots ought to be frost-proof in British winters. Patio's owners will advise you responsibly, but you must stand the pots on bricks or blocks during the winter. If the rain cannot drain through, it will form ice and split the bottoms.

No doubt there are little men in the Tuscan hills moulding terracotta lemon pots for less than £57 for a 24-inch diameter: nonetheless, you have to cart them home. I recommend this wide and simple shape because it allows for a wide range of half-hardy plants.

For looks, I would match these lemon pots with Patio's rope pottery, made in Spain, up to 14 inches across and finished off with a rope pattern in clay round the rim.

For another £10-£15, you can add very thick pots up to 12 inches wide, cast with swags and stamped in the self-same village in which those French peasants begged for rain and said their prayers in the sub-titles of those two famous films on harsh rural life.

Patio's owners import in bulk and go on pot-hunts in promising corners of Europe; thus, stocks vary. But their prices fall halfway between those thin, ugly clays from an ordinary centre and the guaranteed terracottas fired in one of the top British potteries. I am happy to have bought five big pots for the sum set aside for only two or three in others' lists.

There are shapes for all tastes, most of which are elegant: blue salvias, pink verbenas and silver leaves will all trail invitingly over Patio terracotta which ought to survive frost.

They will trail even more invitingly if their soil is wet and the pottery is weathered. Wetting the soil is no longer such a problem: if a bulk-buy of Broadleaf P4 is beyond your means, check the local garden centre for an alternative which is priced less economically but sold in small quantities.

The most-widely available is Swel Gel, at prices up to £3: one pack suffices for two seriously-large lemon pots. Water the soil first and then work in the dose of Swel Gel like bath salts.

Water again and the crystals will expand, retaining water in the soil, reducing the boring round of hoses and watering cans to twice a week. (If only dogs could take it, too, we could all go on holiday or long weekends with a clear conscience.)

Be warned not to increase the dose. One keen gardener hated watering and tipped an entire packet into one small flower pot, hoping to settle it for weeks. He woke up to find that a jelly-like substance similar to frog spawn had erupted from the soil and run all over the terrace.

Lastly, the weathering. Newly-fired pots look too new for several seasons; and although people recommend dressings of sour milk, brown fertiliser or stewed leaves of comfrey, the owners of Patio have a brisk recipe.

Gents, this is your chance to use the most natural weathering method of all. You can do your very own Thing That All Men Do.

> *'Perhaps this gardening tip was what set Freud off on a characteristic train of thought'*

Perhaps this gardening tip was what set Freud off on a characteristic train of thought. Perhaps you remember the Great Man's explanation of the origin of the division of labour between the sexes.

Out there, on the primaeval plains, our hunting ancestors lit camp fires; but when the time came to dowse them and move on, only the men could oblige, aiming at them in a Freudian bout of competitive male relief.

Women had to drop out of the contest: they, therefore, withdrew to the tent, got landed with the cooking and, nowadays, with the bother of the picnic for Glyndebourne.

It is magnificent nonsense, but the male fire extinguisher can regard itself nowadays as the [illegible] palliator. Choose your moment, avoid the verbena and, after a few adventures, the experienced owners of Patio assure me that new terracotta will have P for patina more quickly than by any other means.

Terracotta for all tastes: Patio's Stuart Mungall among the pots at his shop in Battersea, London

Ashley Ashwood

Sow now to make sure you reap

***Arthur Hellyer** discusses how to propagate biennials and recommends ways to use herbicides effectively*

THIS IS a good time to sow the seeds of biennial plants such as foxgloves, Brompton stocks, wallflowers, honesty, Canterbury bells, sweet williams, forget-me-nots, Iceland poppies and evening primroses. As conditions are right for rapid germination without a need for any extra warmth, the sowing can be done outdoors or in an unheated frame. There is still enough good growing weather ahead for the seedlings to make sturdy plants by October, at which time they can be planted out in the places where they are to flower the following spring.

Some of these plants will do it all for themselves. In my garden, forget-me-nots come up wherever I scatter the old plants I have pulled up. In recent years, this place for temporary litter has been the ditch beside the hedge in the farm lane which runs right down my property. For a week or so, it looks rather untidy, but the plants soon dry up and the grass and wild flowers grow over them. The reward is a blue haze of flowers in May and early June without any effort on my part.

Years ago, I used to spread many of these dying forget-me-not plants around apple trees in my orchard, where they performed a similar role. Then, when I started to use paraquat (Weedol) to keep circles of clear soil around the trees, I found, to my surprise, that although all the grass and most of the weeds (except the strongest perennials) were killed, the forget-me-nots were unaffected.

One year, I ran out of paraquat at a crucial moment and used glyphosate instead. This eliminated forget-me-nots not only for that year but for the following one as well. But they returned gradually to normal, partly because I scattered more fading forget-me-not plants to replace the seed but also, I think, because of residual seed in the soil already. I still use both herbicides: paraquat for the quick effect – especially on grasses of all kinds, and on annual weeds – and glyphosate on ground elder, bindweed, docks, nettles, brambles and all the more persistent weeds which are despatched most efficiently when they are in full growth.

Glyphosate recently has become available in a new formulation known as Roundup GC. This is different from the Roundup been sold to farmers and commercial growers for many years, and is claimed to be even more effective.

Like other formulations of this herbicide, it acts solely through the leaves of growing plants and is bio-degraded quite rapidly by micro-organisms in the soil into carbon dioxide, carbon, phosphate and nitrate.

It is not poisonous to animals or human beings and there is no need to keep children away from areas which have been treated. Roundup GC is effective against deep-rooted weeds, especially if it is applied when they are growing strongly and have a vigorous circulation of sap. But it is just as fatal to garden plants as weeds, so it must be kept off their leaves.

I digress, though, from the subject of biennials...

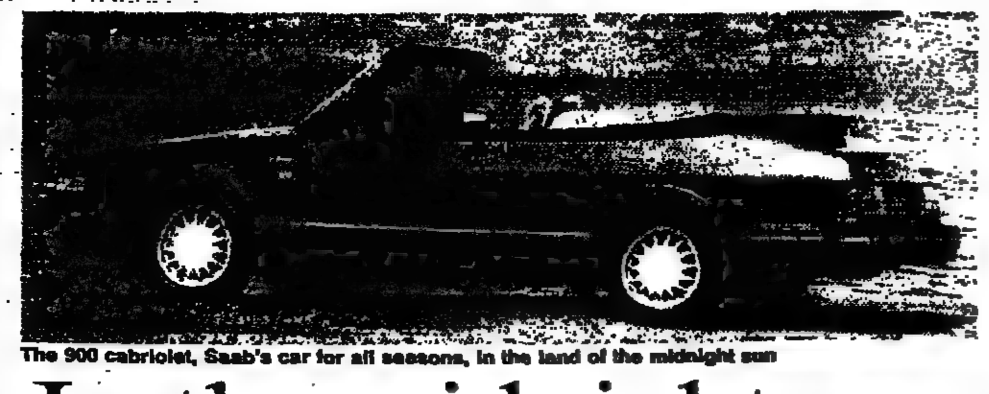
There are many garden varieties of these – improved varieties, many gardeners say, although the improvement might be no more than a change of colour or an increase in flower size. For example, the forget-me-nots I grow are of the common variety: a clear, light blue with an occasional appearance of a pink or pinkish-flowered plant.

If I bought seed, I could have a choice of several varieties such as Marina, a deeper blue; Rosie, which is rose pink; and Blue Cloud. They are much like what I have, but without the variation. If I introduced any of these, though, I would have to keep each variety right away from the others or from what I have already; otherwise, it would cross-pollinate with them and be swamped. The same is true of all other plants raised readily from seed, as are all biennials. If you want some particular variety, you must grow it in isolation or buy it anew each year.

All the seedlings, whether from your own or bought-in seed, will need to be thinned or transplanted as soon as they can be handled easily. With many – such as wallflowers and honesty, which make quite sturdy seedlings – this is not difficult to do outdoors, preferably in a nursery bed set apart for such a purpose and cleared thoroughly of weeds before it is used.

With others which, at first, are very small – such as the seedlings of Canterbury bells – it is really easier to handle them in trays filled with special seed compost, whether it be soil-based, peat-based, coir or something else. Then, the main problem becomes watering, which is no problem if you are there to do it but a very serious one if you are away from home a lot.

The compromise is to prepare a special bed for these special seedlings with, if necessary, a good topping of pure seed compost. This will give the fine texture needed for picking out tiny seedlings and the benefit of a subterranean supply of water which, in emergencies, can be supplemented with some form of trickle irrigation.



The 900 cabriolet, Saab's car for all seasons, in the land of the midnight sun

In the midnight sun with the roof down

Stuart Marshall tests the Saab cabriolet in an Arctic summer

SPRING WAS a little late this year in northern Norway. In early June, snow still lay thickly on the tundra. The stunted birch trees were as bare as they had been all winter.

Then, overnight, the temperature shot up. The snow began to melt, the rivers ran in spate and the trees grew green almost as you watched. Three days later Spring was over. Summer had come.

All this I learned last week when I drove a Saab 900 convertible, roof down in brilliant 24-hour sunshine, from Alta to the North Cape (Nordkapp) and back again.

Country and car were perfect partners. With the all-round visibility of an open car, I smelt the countryside, felt the sun and the wind and savoured Norway's arctic north to the full. Well wrapped up and with the heater on, it was pure pleasure to drink in the scenery on the 134 miles (215 km) drive from Alta to the Nordkapp.

The road first crosses Stabbursdalen National Park, one of Europe's great wildernesses, then runs up the Porsangen inlet to Kvfjord. From Kvfjord, a super-modern ferry which seems hardly to have docked before it is off again, takes vehicles to Honningsvvg, from which the Nordkapp is another 22 miles (35 km).

It is an easy drive. The metalled road from Alta to Kvfjord is beautifully engineered, well surfaced and almost deserted. You have to keep an eye open for suicidal reindeer. And the hood had to go up for the 3 km long Skarvberg tunnel. Water still pours through the roof, just as it did when I drove to Nordkapp from Rovaniemi, 300 or so kilometres to the south and exactly on the Arctic Circle, in the late 1970s.

Then it was a tough drive, on dirt roads all the way. Now only the last stretch from Honningsvvg to the cape is unmetalled. It will not be for much longer. Already the bulldozers are busy, which I am sure will please drivers of tourist buses taking thousands of visitors to Nordkapp.

The 300 metre high cliffs that fall vertically into the Arctic Ocean are a – fearful sight. But the simple stone hut that, 17 years ago, sold postcards and not much else has given way to a Nordkapp complex. It has restaurants, a multi-screen cinema and huge, picture-windowed viewing area from which to see the Midnight Sun.

Seventeen years ago, on midsummer midnight, I had stood freezing on the cliff edge, waiting for the sun to kiss the horizon before climbing skyward. But a snowstorm had swept in from the east and I saw nothing.

This time I watched from the comfort of the viewing area but, once more, nature had the last laugh. At midnight, the sky was cloudy. Only while driving back down to Honningsvvg did the half-past-midnight sun blaze out again.

Though quite a veteran among convertibles, the Saab 900 is still one of the best. It was conceived at the request of Saab's US importer, unveiled as a prototype at Frankfurt in 1983 and put on sale three years later.

The easy way of making a saloon car into a convertible used to be to chop the top off, weld some extra metal on the pressed-steel chassis platform, fit a folding hood and hope for the best.

It did not always work. Some hardtops turned into soft tops used to shake like unset jellies on all but billiard table road surfaces.

Saab's way – and to be fair, it is now the way of all major manufacturers adding soft-tops to their ranges – was to redesign the entire structure so none of its rigidity or crash protection would be seriously compromised. (One has to say, though, that people riding in the back seat of an open car that rolls over must be at greater risk than they would be in a saloon).

Saab also wanted its 900 cabriolet to be a proper four-seater, not a cramped 2+2, with a roomy boot. It had to be refined as well as a good goer, and comfortably usable all year round. So the power-operated hood was triple layered to keep the heat in. There is a defroster in the glass rear window.

At first, Saab thought it would make a couple of thousand cabriolets for two or three years, and that would be that. But its launch coincided with a wave of fashion for soft tops in the US. Demand was double that forecast, and waiting lists grew.

Last year, 7,765 cabriolets were sold, with 10,000 expected this year. Although the veteran 900 is nearing the end of its life the cabriolet will stay in production for some time after the its successor appears.

Eventually, there will be a cabriolet version of the new 900. No-one is saying when, but cabriolets can be remarkably long lived. The VW Golf cabriolet, which is based on the original Mk.I Golf, is still with us, eight years after the Mk.I Golf was replaced by the Mk.II which was itself superseded by the Mk.III last year.

Saabs are generally reckoned to be strongly masculine cars, but women love the 900 cabriolet, buying more than one in four of those sold in Britain. I found it a rewarding car to drive. The light-pressure turbocharged engine of the manual and automatic versions I drove gave adequate rather than kick-in-the-back acceleration. But the ride was excellent and the whole car felt as solid as – well, a Saab.

With the hood up, one was aware it was not a saloon only because the rear quarters field of vision is restricted. And the rather shallow windscreen - a sign of age – did make it seem beetle-browed when closed up.

At £19,245 to £26,895 – it depends whether the 4-cylinder, 2-litre engine is naturally aspirated, light-pressure or higher-pressure turbocharged, plus £832 for automatic transmission instead of a 5-speed gearbox – the cabriolets are at least 25 per cent dearer than equivalent 900 saloons.

That makes them quite expensive. But then the best things in motoring life, Saab's car for all seasons included, never have come cheaply.

As they say in Europe/James Morgan

Scene: a blasted heath

THE HEADLINE in the *Frankfurter Allgemeine Zeitung* read: "Anti-competition of the game destroyers." Football editor Peter Hess continued by asking: "How was it before?"

Hess then contemplated the dismal state of the game: "Was scoring a goal really once the mind and purpose of the game of football? Or what? And the highest aim: was it, in fact, to get just one more goal than the opponents? . . . Is football played to please the manager or the public?" (This is actually taken from Franz Beckenbauer's aria, "Extra Time," from Wagner's unpublished work, "Die Meisterspieler von FC Nürnberg").

Hess's commentary appeared over the report of the lamentable *England-France 0-0 draw of* last Sunday which British television commentators described, uniquely, as a good performance (and that says something or other about English football). The headline was a prophetic masterpiece: "The depths successfully plumbed: England can't, France won't." Unfortunately, the *FAZ* report did not appear until Tuesday. German newspapers carry little news of the day before as they close most of the pages at about four in the afternoon under what seems to be some sort of non-competition agreement between publishers – the media equivalent of a 0-0 draw.

It has been said that soccer is a game for gentleman played by cads, and rugby a game for cads played by gentlemen, but the great French footballer, Alain Giresse, is the ultimate gentleman. He has a question-and-answer column in the sports paper *L'Equipe*. When asked why the English made so many errors against France, he referred only to the "intensity and the power of the defence."

What a contrast with Hess, who retold an obscure joke made after the game by England manager, Graham Taylor, adding: "This touch of English humour could not make up for the damaging boredom of the preceding 90 minutes. That would have required an hour and a half of Monty Python's Flying Circus."

His comments appeared before the best game of the tournament: Scotland 0, Germany 2. The Scots arouse a lot of affection in football circles. Girease was asked: "Will Scotland change one day?" He replied: "Good question! It is incredible, the years pass, competitions come and go, but every time it is the same Scots, faithful to their traditions. Here [in Sweden] they live in town, stroll about, laugh and appear relaxed in all situations. And yet, always animated by a formidable state of mind but deprived of technical and attacking skills; always hard to beat but, at the end of the day, always beaten."

Now this from *Le Monde diplomatique*: "You don't go to Macbeth to teach yourself Scottish history, you go to learn what remains of a man when he gains a kingdom and loses his own soul." That introduced a huge feature entitled "Football reveals the major antagonisms of our societies," which showed that there is a good deal more to the game than many believe. Bill Shankly, the late manager of Liverpool, got it right when asked if football really was a matter of life and death. "No, it's much more serious than that," he said.

The *Monde* quotation was from an anonymous work to be published this year called *The Football Match: Ethnology of a partisan passion in Marseilles, Naples and Turin*. It argued that "one may decently lend to a football match the dignity and allegorical depth of a great drama." *Le Monde's* Christian Bromberger said the game provides an opportunity "for the affirmation of collective identities and local and regional antagonisms."

And national! The Dutch hatred of Danes, which I revealed exclusively here two weeks ago, has shown itself again in the pages of *NRC-Handelsblad*. Elsbeth Etty, in a comment headed "Something Rotten," wrote of the perfectly good Dutch goal against the CIS that was disallowed last Monday. "It was bad enough when 11 European countries were thrown off course by a single referendumette, but to do it again to 11 Dutch footballers is going too far. It was indeed a Danish linesman who said 'no' to Marco van Basten's beautiful goal. That was not clear only to Dutch television viewers; even the BBC ('It's a goal, no doubt it's a goal') agreed."

Footnote: Jean, at the Scottish Football Association, tells me that a Macbeth played for East Fife (of course) in 1927-30.

■ *James Morgan is the economics correspondent of the BBC World Service.*

Minding Your Own Business

Dial 'C' for customers

Nick Garnett on a food supplier who found clients in the Yellow pages

"I STARTED with only a domestic fridge and a freezer in my own home. I had a copy of the Yellow Pages, hired a mobile telephone, and drove around, looking for customers. In the first week, my turnover was £489."

That was the start, back in October, 1989, of Ian McFarlane's entry into the food business. Since then, his company, selling chilled victuals to hotels, restaurants and delicatessens has notched up sales of £225,900 in its second full year. While McFarlane's salary remains modest, and the business's overall profit margin a skimpy 10 per cent, Glendower Foods has supplied the 35-year-old with a new career.

"I trained in hotel management and was working for a surveying company in the City valuing hotels," McFarlane said. "The company has gone out of business, but I left it before then. I got bored."

Someone advised him that a niche existed supplying smoked salmon. A trader at London's Billingsgate fish market generously gave McFarlane the name of his Scottish supplier. £300 purchased the fridge and freezer. McFarlane realised straightaway that a 30 per cent margin was available, selling the fish.

Within a month, he also realised that the advice was duff. The niche was minnow-sized, too small to supply a living. Subsequent events only confirmed this. "So many people are smoking salmon, the market is flooded. The whole thing has been blown apart. Margins on fresh salmon are also very tight, partly because the Norwegians are dumping."

Operating then from a flat in a village outside Oxford, McFarlane began adding frozen prawns and home-made cakes.

Last year, Glendower Foods moved into a small retail building in the beautiful village of Ardington, near Didcot, and, this year, to a 1,000-square-foot unit in the same village. Its handsome inventory of products – encapsulated in a bound "menu" with coloured pictures – now includes pâte and marinated goat's cheese, duck breasts and foie gras, Spanish sausages and gravad lax, as well as cooking chocolate; oils, vinegars, ice-cream and yoghurts.

Ashley Ashwood

Keeping his cool: Ian McFarlane with some of his chilled foods

"Turnover this year will be just short of £500,000. We would hope, within the next two years or so, to get up to £1m or more."

Glendower offers about 500 different foods, uses 40 suppliers, and has 150 or so regular customers. Hotels take up to 70 per cent of supplies, restaurants a further 15 per cent, and delis a similar amount.

McFarlane runs the business from a small office, using an IBM computer purchased for £2,600, and a £400 fax. There is a staff of three. "Each one has a particular set of customers. It's very important to keep personal contacts. Most customers will be visited at least three times a year."

The village is part of the Lockinge Estate, from which Glendower rents the property for £6,250 a year on a nine-year lease. McFarlane has spent £8,000 on three walk-in freezer and cooler units. A Mercedes delivery van cost £12,000, with a further £6,000 absorbed in the conversion of it to a freezer vehicle. The company also runs a second van.

During its first year, Glendower generated a gross return of 29 per cent and a pre-tax profit return of 16.5 per cent. Since then, expansion of the business – done without any real recourse to the banks – depressed margins to 10 per cent. Last year, it made a gross profit of £66,000 on its turnover of £225,000, and a pre-tax profit of £22,000. McFarlane expects a pre-tax return of less than 10 per cent again this year. His salary was £13,600 last year.

Net profits have also been hurt by the general trading climate. McFarlane says: "All chefs are being told by their food and beverage managers to 'hit targets or you are out'. They have become much more aggressive at getting in products at good prices." The average restaurant gross margin of selling food at the dining table to buying it in is 60 to 66 per cent.

He is still extracting customers from Yellow Pages and hotel and restaurant guides, as well as by cold calling. "One of the worst things about the business is that you do lose customers to other suppliers. We used to get customers on price, but I think we now sell on customer service."

As an example of what it sells, Glendower offers, excluding VAT, a four-litre tub of raspberry and rhubarb ice-cream for £7.25, sliced side of smoked salmon at £7 a pound, and 250 grammes of Jersey-milk Bonchester cheese for £3.40. Glendower is also the local distributor for New Covent Garden soups.

McFarlane says the company suffers almost no food wastage. Some items, like fresh fish, usually leave his premises the day after they are delivered.

As with so many businesses, though, the owner of Glendower has never been on a business course. "My biggest drawback is that I have struggled to find things out because I've never worked in distribution before. You know – where to get supplies, what margins to seek. I've learned on the hoof. The most difficult thing is knowing when to take a risk. Bringing into the business someone new, or buying a van, can each cost £20,000."

One point McFarlane is already conscious of is what to do with the business if its sales start climbing towards £2m. "You think you could sell it and that would relieve you of all the problems associated with expansion. I've got the feeling, though, that I'll stick with it."

■ *Glendower Foods, Masons Yard, Ardington, Wantage, Oxon OX12 8PT. 0235-820660.*

BOOKS

Sheer madness on the margins

IN THE British Library, there is a beautiful and precious manuscript called The Luttrell Psalter. Made sometime in the 1320s for Sir Geoffrey Luttrell, a wealthy Lincolnshire lord, the text of the Psalms was written by just one scribe. It took a team of artists to illustrate it. For the Psalms themselves, they made some fine historiated initials. But when it came to the margins and foot of each page, they went mad.

One scholar has suggested that the best of the Luttrell illustrators, known as "Hand A", was mad. What sane person, he marvelled, could have come up with such a bevy of fantastic, brilliantly-coloured monsters?

But it was not just monsters which were permitted to disport themselves around the edge of King David's sacred words.

IMAGE ON THE EDGE: THE MARGINS OF MEDIEVAL ART
by Michael Camille
Reaktion Books £25/£10.95 176 pages

The margins of the Luttrell Psalter stand as a kind of visual encyclopaedia of late medieval culture. It swarms with a bizarre medley of images: religious scenes, birds, flowers, beasts, wild men and unicorns, heraldic devices, knights at combat, and now-famous scenes of everyday life: toiling peasants, the Luttrells feasting, singers, dancers, and mummers.

Scholars find it very difficult to account for the riot of marginal images which irrupted in northern European books between about 1230 and 1400. How can such a love of complexity, of the parodic and grotesque, be reconciled with texts which were generally of a devotional nature, and were commissioned by pious men and women? And still more surprising, to a modern eye, are the "rude" images of love-making, bare-arsed figures and defecation.

In Image on the Edge Michael Camille opens up this fascinating and problematic subject for a non-specialist audience. Slim and seductively designed, this book appears with only the most rudimentary acknowledgement of the sober reality of the medieval paleographer's world. There is no index, and only confusing notes and references – Camille appears less than keen to acknowledge his debts to other sources. His approach is slapdash.

From the margins of the page, Camille swiftly extends his scope to corbels, gargoyles and misericords – the semi-hidden images on the edge of peoples' bottoms, a subject in which he takes a keen interest. Of all the myriad types of marginal image, Camille dwells longest on the "rude" ones.

How important, quantitatively, are these *obscenae*? Were they standard fare; more common in England than in France; in one period than another? These are exactly the kind of down-to-earth questions which do not interest Camille. He does not blush to describe the Rutland Psalter as if it were distinguished, above all, for its anally compulsive artists. And yet, I have it on good authority that only a tiny percentage of its playful illustrations show arrows up bums.

With great ingenuity, Camille reads sexual inuendoes into apparently innocuous images. Snails, he suggests, were popular in manuscripts and carvings not because of their formal appeal, but because they symbolise female genitalia. A woman in a strange head-dress is a "conscious" phallic reference. The flaccid turban was "perhaps" inspired by the Latin word *conturbata* in the text. But would an English artist in 1300 have known the Persian word, turban?

The fundamental problem with this book is that behind all the superficial cleverness, the flitting hither and thither across the "sexiest" topics of medieval historiography, it rests on an obsession with a flawed metaphor.

Years ago, sociologists and anthropologists fell in love with the notion of "the marginalised". Every society thrusts on to its margins those ideas, forms of behaviour and social groups which constitute a threat to social order. To marginalise something is, then, to reaffirm the dominance of the centre.

Camille strains away at this metaphor: for example, beggars appear in the margins of books just as in medieval Paris they tended to live by the walls. Marginal art constituted, therefore, the zone where medieval society permitted artists – themselves a "marginal group" – to let rip. The text alone had meaning: outside it, artists were free to create images of those whom he claims were "marginalised" – prostitutes, peasants, fools, vagabonds, cripples, beggars, sinners, lovers, the entire female sex.

Unfortunately, Camille displays no real grasp of the role of any of these groups within medieval society. The result is a book which exemplifies the arrogance, pretentiousness and anachronism which characterise post-structuralist thought at its worst. We may applaud the deftness with which he turns his argument at the end into an attack on the Moral Majority. But on the way, he has produced a travesty.

Patricia Morison

Praising the Lord through music: detail from the Luttrell Psalter

Romantic in exile

Antony Curtis on the life and work of Russian poet Joseph Brodsky

THE CITY of Leningrad in 1940, when Iosif Brodskii was born there into a Jewish family, was not an environment hospitable to poets. Even so, in spite of the hostility of the authorities, poets lived and worked there, notably the great Anna Akhmatova.

At the end of the war in 1945 she was preparing a major collection of work and establishing links with the West when suddenly the authorities clamped down on her. Her poetry was described as "ideologically harmful"; the print-run of a book she was about to publish was destroyed and Akhmatova was expelled from the Soviet Writers' Union. After Stalin's death in 1953, and the beginning of de-Stalinisation in 1956 under Khrushchev, she began to publish again. By the end of the decade Akhmatova had become literary godmother to a group of free-minded young poets based in Leningrad.

One of them was Anatoly Nayman, who became Akhmatova's secretary and whose interesting book *Remembering Anna Akhmatova* was published in the UK last year by Peter Halban (£18). Another was Joseph Brodsky, as he is now universally known, who wrote the introduction to that book. After the fall of Khrushchev in 1964, the climate for poets worsened again and this time the backlash of repression struck at the 24-year-old Brodsky. As a poet who did not belong to the Writers' Union, Brodsky was a non-person and he found himself facing trial. The charge was parasitism or vagrancy (*tuneyadstvo* in Russian).

At his trial Brodsky showed a similar resilience to that of Oscar Wilde when affirming from the criminal dock the right of an artist to practise his art in whatever circumstances.

Judge: "Who recognised you as a poet? Who gave you the authority to call yourself a poet?"

Brodsky: "No one. Who gave me the authority to enter the human race?"

Judge: "Have you studied for it?"

Brodsky: "For what?"

WATERMARK
by Joseph Brodsky
Hamish Hamilton £12.99. 135 pages

Judge: "To become a poet. Why didn't you take secondary education at school where they prepare you, where you can learn?"

Brodsky: "I didn't think poetry was a matter of learning."

Judge: "What is it then?

Brodsky: "I think it is . . . [*in confusion*] . . . a gift from God."

And as in the case of Wilde, Brodsky's brilliance of response did not do him much good. The female judge passed a sentence of exile in a remote locality for a period of five years hard labour. The young Brodsky was sent to serve it at a state farm near Archangel. Akhmatova and others did what they could for him. Eventually after two years Brodsky, in poor health through suffering the intense cold of the Russian north, was pardoned and released. He recovered, continued to write poetry, and found a job in a publishing-house in Moscow.

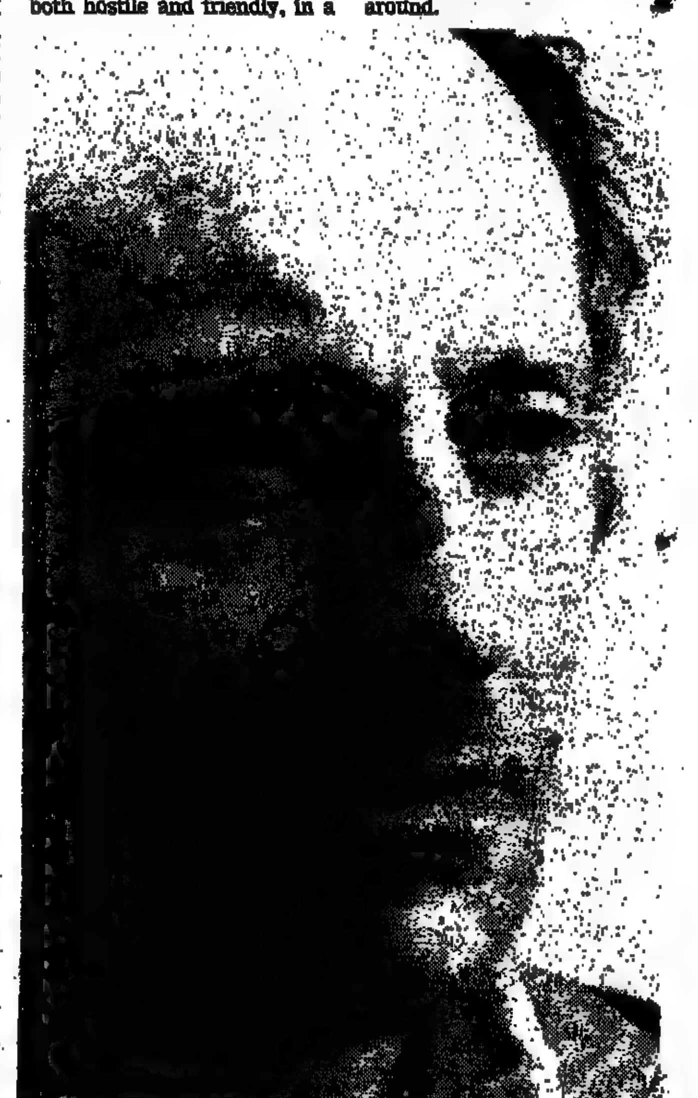
Nicholas Bethell, who translated the above transcript, went to see him, and made versions in English for the first collection of Brodsky's poems to appear in the UK – *Elegy to John Donne* (1967). In 1972 Brodsky became "an involuntary exile" from the Soviet Union and after brief periods in Vienna and London he went to live in the US, turning down two invitations to emigrate to Israel. In 1980 *A Part of Speech*, poems translated into English verse by various poet-translators, was published; and most recently in 1988 *To Urania: Selected Poems 1965-1985*, some of which are translated by Brodsky himself. In 1987 Brodsky was awarded the Nobel Prize for Literature and currently he is poet laureate of the US.

The intellectual intensity of his poetry – no wonder he wrote a poem in praise of Donne – shines powerfully through these translations, especially when he is writing about women he loves. A fine poem entitled "The Butterfly", in which he ponders the fate of a gorgeous creature whose entire life-span lasts for less than a day, strikes a typical note of thoughtful lyricism. Brodsky's poetry stimulates the reader and challenges his assumptions, like Auden at his best. And he has written a remarkable essay about Auden, in a collection of prose, *Less Than One* (1987, to be reissued in August by Penguin); and now, just published, we have a long prose-essay by Brodsky about visiting Venice, written in English in 1989.

It is a charmingly wayward and evocative rumination. We are dealing here with a major writer who, like Nabokov, has successfully managed the transition from his native Russian to an English prose style of so great an ornateness that it might be modelled on that of Sir Thomas Browne ("Eyesight is the instrument of adjustment to an environment which remains hostile no matter how well you have adjusted to it").

Brodsky has been adjusting to the environment of Venice, both hostile and friendly, in a series of sojourns in that city ever since he first visited it in 1972 at the age of 32. He captures its impact upon a sensitive traveller – exile, poet, lover, acute observer – with the same obliquity and insinuating use of non-sequitur that is typical of his poetry. The habit of hinting at a truth, of presenting it with calculated ambiguity, a technique cultivated by many Russian writers to outwit the censor, dies hard.

The most recent example of Brodsky's way of conducting an argument by taking two steps forward and one step back may be seen in *A Philby Fantasy* published in the American weekly *The New Republic* (April 20 1992). This piece is a speculation on the probable effect of Philby on the formulation of Soviet policy towards the Arab world. It was inspired by Brodsky's shock at seeing a blow-up of the traitor's face, taken from the Russian postage-stamp commemorating Philby, on the cover of the *London Review of Books* in a bookshop in Hampstead. Nowadays Brodsky gets around.



Joseph Brodsky: Poetry is not a matter of learning

A poet of passion

Michael Glover on the 60th birthday of Geoffrey Hill

THIS WEEK it is the 60th birthday of the poet Geoffrey Hill, one of England's great, flawed, stuttering intelligences, a man much admired but less read.

He was born in the village of Fairfield in the West Midlands, the only son of a policeman. From Keble College, Oxford, he went on to academic posts in the English departments of Leeds, Cambridge and – since the late 1980s – Boston university, although his decision to teach in the US should not be read as an act of wilful self-exile in the Auden mode.

His achievements as a poet and scholar are incontestable (some have called him the greatest English poet since the second world war) but a wide readership has eluded him. Perhaps one reason is that he always has been difficult to get to grips with; his prose can be maddeningly gnomic and olympian. Critics have tended either to circle around him warily, as if he were not so much a poet as some kind of intellectual explosive device, or to genuflect and over-praise him.

His most recent book, *The Enemy's Country* (1991) – which is substantially the text of the Clark lectures delivered at Cambridge in 1986, and an important work of cultural and literary criticism – was virtually ignored by the national press when it was published last year. And his poetry appears only intermittently; his last book, a long poem entitled *The Mystery of the Charity of Charles Péguy*, was written 10 years ago. Since then, there have been only a handful of poems.

Yet, Hill's poetry has been disturbing the consensus since the end of the 1950s when it seemed to mark a sharp break with both the traditions of the recent past and the habits of the poets who were fashionable at the time.

Much of the poetry of the 1940s is marked by a kind of verbal and visionary extravagance, a steep dive into the innermost recesses of the self, as if the terrors of actuality – war and its immediate aftermath – had been altogether too much for poets to contemplate.

In the 1950s came the denial of all that, with Kingsley Amis and others proclaiming the need for a more modest, humdrum art altogether, a poetry that would have something to do with everyday life: love affairs, motor cars and kitchen utensils. And then, along came Hill, all formal music and blustering rhetoric. *For the Unfallen* (1959) is a body of poems that was as turbulent and bloody as any Jacobean tragedy, with "death" the first, third and fifth word in his vocabulary.

Although having no fixed religion, he was writing poems of passion and an almost stifling fervour – gloomy closet dramas full of lurid cameos from the history of England and elsewhere, complete with grunts, cries and ejaculations. Out of key with the times? Hill seemed to care not one jot.

Ten years later, *King Log* was published, equally impassioned but, this time, even more uncomfortable in its subject matter. There were poems about the atrocities of the Third Reich and a bloody return (in sonnet form) to the Wars of the Roses.

Perhaps most memorably, there was a poem called "History as Poetry" which, in one brief phrase – "the tongue's atrocities" – raised a question which has been of paramount importance in Hill's work: can the poet write about the terrible immoralities of our time without being guilty of the luxuries of the bystander?

A second great theme is the poet's difficult relation to language itself: how he must wrestle with this recalcitrant medium if anything of enduring value is to be yielded up; and how language itself must be made clean if it is to become a tool for clear and exacting expression.

The guiding spirit of *The Enemy's Country* is John Dryden, in Hill's eyes a poet "ingenuous and at bay." Dryden, a Catholic whose fierce loyalty to James II caused him to be deprived of his public offices after the abdication, was doomed to be a scribbler all his life by what he once memorably described as The Vocation of Poverty.

His tyrannical publisher, Tonson, held him accountable for every last line that he wrote and Dryden himself was driven by hatred of, and contempt for, his patrons – who included the Earl of Rochester, a considerable poet in his own right, of course.

Yet Dryden toiled on, cheerful, optimistic in spite of all odds, picking his difficult way through the Enemy's Country, outwitting the "treachery of words," bringing public utterance and private feeling into harmony and writing, in his many prefaces and postscripts to his plays and translations, with a great, plain eloquence.

Geoffrey Hill, on his birthday, might choose to learn something from Dryden – for example, a lesson in plainness and good manners which might stop him in future from writing such a sentence as: "It is, of course, a matter of common observation that the actual mechanics of *quotidian* life ... are inevitably a matter of ambivalent regard."

Such lofty abstractions, handed down from such a great height, do not sit well with his considerable talents.

■ *Hill's birthday is celebrated in a special double issue of Agenda magazine. It costs £8 and can be obtained from 5 Cranbourne Court, Albert Bridge Road, London SW11 4PE.*

Model of a columnist

***Malcolm Rutherford** admires the American journalist Joseph Alsop*


Joseph Wright Alsop (1910-1989)

JOSEPH ALSOP was a very clever, but very fat and rather unattractive child. He grew up in what he describes as the Wasp (white anglo-saxon protestant) ascendancy in New England. Although his background was not rich by the standards of the time and place, it was certainly comfortable. When it was decided that he was unsuited either for business or the law, his grandmother recalled that he had sent her some well-written letters from Harvard, so why not journalism?

Nobody in the family had ever gone in for that before, nor knew anyone else connected with it except for the Ogden Reids, who happened to own the *New York Herald Tribune* and were friends of Alsop's grandmother. A word in the right ear and Alsop was on his way to becoming one of the best-known political columnists the world over.

I'VE SEEN THE BEST OF IT
by Joseph Alsop with Adam Platt
W W Norton £19.55, 495 pages

Alsop died in 1989 with his memoirs not quite completed. They have been put together by Adam Platt, another American journalist, but there should be no doubt that this is the Alsop story. Essentially *I've Seen The Best Of It* should be a book for journalists, and it is certainly that: it is also one of the best personal memoirs I have read for several years.

The Washington to which Alsop was sent as a junior reporter in the 1930s was totally different from that of today. "No-one hurried and few ever worked later than 5 pm ... there was no really great restaurant, nor was it missed ... We never locked our doors and never so much thought of the horrible word 'security': crime was non-existent ... Anyone invited to dine with the president and Mrs Roosevelt simply drew up to the front door of the White House and rang the bell."

Alsop describes it as a paradise for political reporters. Being well-connected both by birth and education, he had no problems of access. Even as a young man, he could wander in and see the secretary of state every day. It was from there that the idea of a political column began.

Alsop lays down some of the early ground rules he established for himself. On reporting, for example: don't ask foolish questions, don't waste time by being diverted from the subject in hand, and "no matter how big a bastard you have to talk business with, never be rude unless the bastard is rude first". Alsop says that one one of the few bastards with whom he ever broke his own rule was Senator Joe McCarthy.

There were also rules for columnists: for example, any column that gets too far from the headlines is bound to be disregarded; "never write about serious overseas problems without being overseas long enough to smell the weather on the streets"; and "don't make extreme assertions on your authority." The trick of writing a column, Alsop thought, was rather like a debased version of the trick of writing sonnets: it had to be well organised. And, of course, you had to work at the facts.

That was how the Alsop column became a model. Sometimes he did it with a fellow journalist, often his brother Stewart. Earlier he had twinned with an economics specialist so that the best of political and economic knowledge could go into the same column, a practice that might be resumed today.

Column-writing, however, has its hazards. One of them stems from becoming too involved in the political processes you are seeking to describe: pomposity or partisanship can creep in. There seems little doubt that this is what happened to Alsop over time. In the late 1960s and early 1970s he was a great supporter of American involvement in Vietnam and fell out with many of his old friends in the process.

This is how his diary could read on a trip to Saigon: "Monday, 18 March, Air France 191, arr. Saigon, 5.05 pm, dinner with Amb Ellsworth Bunker, Stay with Amb Bunker, Tuesday, 19 March, morning at American Embassy, 2.30 pm, Gen Philip Davidson (chief of intelligence, Westmoreland's staff), 7.30 pm, dinner with Gen Westmoreland." And so it went on, through President Thieu and Vice President Ky the next day before back to dinner with Ambassador Bunker. There was not much there of smelling the weather in the streets. Some people would say that the older Alsop had broken the young Alsop's rules.

Nevertheless, Alsop young and old could write and every door was open to him. This book is full of stories – like the time when he threw Guy Burgess and Donald Maclean out of his Washington house before it was known they were spies, or when he asked Churchill about younger Tories. "There's Hogg," said Churchill, "he's an ass. Don't know any others."

Quick, witty and very New York

***Malcolm Rutherford** reviews 'Six Degrees of Separation'*

IT IS good that American theatre should make forays into mainstream London for it teaches us that the British still have some tricks to learn. Tony Kushner's *Angels in America*, which has been playing at the National Theatre for most of this year, is one example. John Guare's *Six Degrees of Separation*, which opened at the Royal Court this week, is another. The plays are serious, witty and, above all, fast, a technique that must have been learned from the best of American cinema. They rely heavily on texts, acting and good direction, and otherwise can be remarkably spare in their requirements.

The set for *Six Degrees* consists of a simple background of colourful American abstract art. The only props are a few equally colourful chairs and the odd glass. Yet in this minimalist setting, there is a style, a flair and self-confidence that you would not normally associate with the Royal Court nor even with the National Theatre. The best of contemporary American theatre depends on talking fast, and talking well.

Six Degrees is very New York. It assumes several degrees of knowledge in the audience. Within a few minutes we have been through the psychology of *Catcher in the Rye* and how the book may have contributed to the killing of John Lennon and the attempted killing of Ronald Reagan. Since this is New York, the subjects of race and money are never far away. South Africa comes in at the start because it combines the two. South African money can finance the purchase of a Cézanne by an upmarket New York art dealer, who can sell it on to Japan, although even to mention South Africa requires the right tone of voice. The nuances of political and social correctness can produce very good theatre.

The dialogue in *Six Degrees* is superior to the plot, but even the latter is way above average and is based, for what it matters, on a true story. A young man called Paul claims to be the son of Sidney Poitier, the movie star. He inveigles his way into Fifth Avenue apartments and charms the occupants by offering them walk-on parts in his father's screen version of *Cats*. This is a hard choice, for they tend to regard the musical as the lowest of the low. Nevertheless, they are delighted to accept.

Paul, played by Adrian Lester, is a homosexual who has been trained into con-manship by one of the cleverest of the Fifth Avenue children, now at MIT. The homosexual scenes are not nearly as explicit nor as central as in *Angels in America* and, against the trend, Paul does not have AIDS. This is, after all, a comedy. Yet the homosexuality is still handled better and more openly than I have seen in any British play. It is accepted as a fact of life, neither to sniggered at nor to be paraded as a cause.

Six Degrees has its pretentions, not least in the title. For the rest, it is simply a witty play almost entirely devoid of the besetting fault of American theatre: sentimentality. Where it scores apart from in the writing is in sheer zest. When the kids come home from Harvard, they do it in explosive fashion, demonstrating all the intellectual arrogance of youth. There are some little gems of dialogue all along, like the question about the people on Fifth Avenue: "Are they rich?" and the answer "No, hand to mouth on a higher plateau." Low jokes as well: the Harvard course on the holocaust and ethics has been retitled "Krauts and doubts".

Conventionally one should single out Stockard Channing as Ouisa, the female lead, and she is magnificent, but plainly she knows that this is a team performance. The play is directed by Phyllida Lloyd, who is British. London should rise to it.


Alastair Muir

Paul Shelley and Stockard Channing at the Royal Court

Rise and fall of a Nazi toff

SUAVE AND shallow seems an apt summing up of Joachim von Ribbentrop. He added the 'von' himself, to enhance his status as son of a wine merchant. So, unlike the bully boys who formed the Nazi Party, young Ribbentrop joined as a toff.

The louche, cabaret ambience of pre-war Berlin gave him contact with the young riff-raff of the party. He presented these roaring boys in his home as "men who have a programme for Germany". It was an early example of radical chic, as Tom Wolfe remarks in his preface to John Weitz' fluent and fascinating biography of Hitler's ambassador to London.

In some ways, the young Ribbentrop resembled the yuppies of yester-year: he had money, married well, had good connections and was an ardent social climber. He had a certain cosmopolitan polish gained from travel abroad; he even played a good game of tennis. He might have lived a casual, rich, social life, but instead he became thoroughly besotted with Hitler.

Hitler wanted someone to translate the London and Paris papers, Ribbentrop was recommended. Hitler became a guest at the house; usually on his own, because of his table manners – "he was not someone you could invite anyone with!" according to Anelies von Ribbentrop. Finally he got a minor job in the office of Hess, the party deputy.

HITLER'S DIPLOMAT
by John Weitz
Weidenfeld & Nicolson £20, 336 pages

Gradually, he inveigled himself into a position where he ran foreign errands for Hitler. He expanded his office into an organisation. He became Hitler's advance man in his campaign for an alliance with Britain. (The author is especially revealing on English society of those years.) By 1935 Ribbentrop had become Ambassador Extraordinary on special mission, by-passing the London and other embassies. He negotiated (his diplomatic technique was "take it or leave it") a Naval Agreement with the British Government which was hailed by Hitler as a triumph.

Posted in 1936 as ambassador to the Court of St. James, he proved way out of his depth. The bitchy, witty society of that time, as recorded by Chips Channon, made fun of him. His worst gaffe was at the Palace: bowing out of the audience chamber, after presenting his credentials to George VI, Ribbentrop three times half-raised his right arm in a modified Hitler salute. The press got to hear of it and went wild: "Ribb Heils King!" The gaffe quickly reached Berlin; even Hitler was dismayed.

And so it goes on, a figure more foolish and ambitious, maybe, than monstrous, but utterly tainted. Because even if he did not know what he was doing at the start, he soon learned the truth about the Nazis. A sort of slavish admiration of Hitler, devoid of any moral sense, led him on. The world of diplomacy was far more glamorous than importing wines. In the end, fallen from his glory as foreign minister, even Ribbentrop came to realise that his pact with the devil could only end one way: by his execution. His ashes were deposited unceremoniously with those of the other war criminals in a small stream near Munich.

David Spanier

Fiction

Caught up in family sagas

GILLIAN TINDALL, a reliably intelligent writer, offers an unusual novel that combines the effortful suspense of a good detective story with a shrewdly observed family saga and some outstanding travel writing.

The Great City and the Great Land are imaginary places a long-haul flight east of Bombay. Thither goes Stephen, a widowed, middle-aged country doctor, persuaded to return by his son, Christopher, a pretentious travel writer. Nowadays the Great City is, in Christopher's words, "an archetype of late 20th century urbanisation, the equal of New York, Tokyo and Hong Kong, yet itself, and only itself..." Stephen knew the place before the war, when it was an undeveloped colonial outpost smelling of "salt swamp water and old cooking oil". The reason for his return is Christopher's excitement about the existence of a peasant doppelgänger, Bhat Way, who may be his first cousin, the son of his dead aunt Tessa.

This is only the beginning of a drama which also involves Stephen's elder sister, Pauline, a hectoring vicar's wife, who reacts in a violent and apparently uncharacteristic way when her husband runs off with another woman. In the telling it becomes clear that narrator Stephen is not the sympathetic and reliable chap that he first appears. As the true story of Bhat Way's origin emerges we see the damage that even well-meant interference can inflict on innocent lives.

In the end it is only the peasant, Bhat Way, uniting the ill-fated lovers that he considers were his parents in a "spirit wedding" who finds any consolation. It is all ineffably sad, though I would argue with Tindall's insinuation that the custom of sending colonial children "home" to boarding school led to entire generations of emotional cripples.

Barbara Anderson is a New Zealander, born in 1926, and *Portrait of the Artist's Wife* follows the activities of a group of friends from pre-war childhood to a distinguished middle age. Sarah Tandy, the wife of the title, is one of New Zealand's leading painters, while her husband, Jack Macalister, is a prize-winning novelist. In the opening pages she is accepting an award for her husband's posthumous novel at a ceremony which encapsulates all that is awful about the provincial arts scene anywhere – the platitudinous Minister's speech, the bitchy gossip of the guests, and the scant supply of warm white wine. We then return to their childhood on Hawkes Bay where Jacks's father had a sheep station and Sarah's was a doctor, and nobody even imagined that "the arts" would ever be a part of their everyday lives.

SPIRIT WEDDINGS
by Gillian Tindall
Hutchinson £13.99, 215 pages

PORTRAIT OF THE ARTIST'S WIFE
by Barbara Anderson
Secker & Warburg £13.99, 309 pages

HOME RULE
by Clare Boylan
Hamish Hamilton £14.99, 220 pages

Anderson has a sharp eye and ready wit, but also, alas, a tendency to become over-fond of her characters and to sentimentalise them accordingly. What promised to be a challenging look at 20th century New Zealand turns into a touching love story about a marriage which survived against the odds. The early days in Hawke's Bay and the lives of Jack and Sarah's parents' generation are of much more interest than the progress of the protagonists and their contemporaries, who say things like :"Any conversation that is not about literature bores me."

Home Rule is described as a "prequel" to Clare Boylan's first novel, *Holy Pictures*. The latter was inspired by her mother's upbringing; the "prequel" takes off from the life of Boylan's grandmother, Daisy Devlin, who grew up in working class Dublin at the turn of the century. Daisy's mother was an English Protestant who was warned that if she married an Irish man he would give her 10 children and leave her destitute, and this is exactly what happens. Until her husband's death, this unfortunate woman took refuge from the hard realities of her life in a front parlour decked out with trinkets salvaged from her Kensington home. As the parlour disappears into the pawnbroker's Mrs Devlin's frail sanity starts to disintegrate too.

At her best, Clare Boylan combines a wicked sense of humour with a talent for deadly accurate imagery. Here her strengths are overwhelmed by the relentless demands of the massive family saga with its sentimental set pieces and melodramatic climaxes. The hard facts of history (25,000 men locked out in Jim Larkin's 1930 strike, 49,000 Irishmen dead in the First World War, 1,198 drowned in the sinking of the Lusitania) pale against the string of violent deaths, seductions, betrayals and reversals of fortune endured by the Devlin family. The result is an uneven sort of book, where scenes that belong in a more down market novel are suddenly lit up by a flash (a cat's "painted trap of fangs". "lawns small and neat as crustless sandwiches") that reminds us how very good the real Clare Boylan can be.

Alannah Hopkin

Off the wall/**Antony Thorncroft**

Salerooms pick up the pieces

THE ROLL call of major contemporary art dealers shutting up shop in the face of the recession is assuming apocalyptic proportions. This week Nigel Greenwood, who championed artists as diverse as Glenn Baxter and Jeffrey Camp, joined Odette Gilbert, Kasmin, Fischer Fine Art, Nicola Jacobs and Anne Berthoud among the notable names who have abandoned their West End galleries.

Apart from Gilbert, where the banks pulled the plug, the others were unprepared to struggle on with ever increasing rents and property charges and ever falling sales. Most have decided to deal privately from home. Even so, the contemporary art market in London faces the biggest crisis in its history.

It was bound to happen. For a start there are very few collectors of contemporary art priced at over £50,000 and, apart from Charles Saatchi, they are virtually all foreign businessmen whose buying depends upon the profitability of their companies. At the moment they are just not interested.

By the very nature of the art there can be no copper bottom reputations and taste changes rapidly. Then the success of dealers in forcing up prices in the 1980s, and their self deception that the spiral would continue, made re-stocking suddenly expensive; dealers are now stuck with pictures whose market value has almost halved.

In contrast dealers in Old Masters and decorative art, with connoisseur clients and stock that has not risen so rapidly in price, are holding on. Their most splashy event, the Grosvenor House Fair, which ends today, has hardly set the bells ringing. On the other hand most dealers have sold something and turnover generally is on the level of a year ago. With many dealers reducing their prices daily, the old fashioned gentleman collector is realising he can afford to buy again and is re-appearing from out of the wood work.

The top dealers desperately need a good Grosvenor House because it is the only time during the year that they can mount a collective challenge to the salerooms – and judging by the lacklustre auctions planned by Sotheby's and Christie's this June the dealers can reckon to have won the contest.

It is ironic then that the adversity of the dealers is proving much needed relief for the auction houses, who often get the task of cashing in the assets when a dealer packs up shop. Sotheby's has disposed of unsold paintings for the Heim Gallery and this week offered silver and jewels, the old stock of Tessiers of Bond Street. On July 1 Sotheby's is selling over 70 Hockney prints once dealt in by Kasmin at prices up to 40 per cent lower than two years ago. Christie's has acted as undertaker for Sparks, the Chinese dealer, and for Odette Gilbert.

'The contemporary art market in London faces the biggest crisis in its history'

With the market in such depression this is a strange time for Hugues Joffre to quit as expert in charge of contemporary art at Sotheby's. The most logical explanation is that he will join arch rivals Christie's. Such a move across Piccaddilly is almost unprecedented: neither firm wants to get dragged into the poaching game: it would enable top specialists to play one off against the other.

But Joffre, whose knowledge of buyers and sellers has enabled Sotheby's to capture over 70 per cent of the contemporary business, may be just too tempting for Christie's.

★

Keith Cooper is moving from director of PR at English National Opera to director of PR and marketing, at the Royal Opera House, Covent Garden. He replaces, after a gap of over a year, Ewan Balfour.

With such mixed loyalties Cooper put on both his hats to dismiss the filer in *The Times* that David Mellor's Department of National Heritage was planning a brand new opera house on the South Bank to be ready by 2000 for the millennium celebrations and as a new home for a merged Covent Garden and ENO.

With both houses about to launch multi-million pound rebuilding appeals such a rumour could devastate their fund raising campaigns. Hence a quick move to scotch such fanciful kite flying. The chairmen of the ROH and the ENO are considering a joint denial, and Mellor has let it be known that he has not yet given the matter a second's thought – although some major arts building to mark the next thousand years is a Government ambition. Merging the ENO and Covent Garden is, however, a favoured scheme of *The Times* editor, Simon Jenkins.

★

Opera 80 was unhappy with its name. In the nineties it seems to be the last vestige of Thatcherite Britain. So it has changed it – to English Touring Opera, the kind of name that could have been around for years. As indeed it was – it was the original name for the company now known as City of Birmingham Touring Opera. English Touring Opera was the best that six months, and £10,000 of research, could come up with, winning out over more creative options like (hard to believe) Moving Opera and Aria. The feeling was that the potential customers of Opera 80 might not be able to pronounce Aria.

At least English Touring Opera exactly describes the work of the company, which is subsidised by the Arts Council with £620,000, plus more from sponsors, on its visits to medium sized venues. English National Opera was not best pleased with the change: but it survived London Festival Ballet transforming into English National Ballet and it accepts that few of its customers will mistake small scale ETO for Coliseum based ENO.

★

The Arts Council is doing its bit for the disabled, raising its budget for handicapped performers from £91,000 to £150,000 in a year and persuading a Duke (Westminster) and two Lords (Palumbo and Rix) to attend a Theatre and Disability Conference in Manchester next Friday.

But it seemed to be carrying its commitment beyond the pale with a special grant of £25,000 to enable Bolton Octagon to put on *Titus Andronicus* employing disabled actors. The prospect of the armless or the tongueless coping with Shakespeare's most bloody play, packed with such amputations, was surely too much. It turns out that the play will use deaf actors.

A cubist of classical order

***William Packer** visits a Georges Braque exhibition in Martigny*

MARTIGNY is the small, ancient town that commands the Swiss end of the St Bernard Pass, where it comes down into the Rhone valley above Lake Geneva. It is the sort of place where the traveller might think of stopping for an agreeable lunch, or overnight perhaps, but no more than that.

And yet here, for the past dozen years, in the Foundation he set up in memory of his elder brother, Leonard Gianadda has been putting on exhibitions of international museum quality. It is a most unusual institution – concert hall, Celto-Romano archeological site, sculpture garden, motor museum and gallery all in one. A member of the audience may well find himself sitting within a fragment of Roman wall to hear the music, or further back with a current masterpiece at his shoulder.

From Klee, Goya and Giacometti, Schiele and Lautrec, to Moore, Modigliani and Chagall, the record speaks for itself. Until the autumn it is the turn of Georges Braque, in a full but succinct retrospective. No-one goes to the Fondation Gianadda in expectation of the copious and exhaustive review: the hanging space is but the four walls of the central hall, augmented as necessary by a screen or two, with a small side-gallery usually reserved for drawings or, as in this case, prints. But it is no bad thing for the exhibition organiser to submit to such discipline, as the Gianadda shows repeatedly bear witness. The Braque show is characteristically beautifully chosen, full of surprises and closely focused.

Braque was born in 1882, a year younger than Picasso, his great partner in the Cubist adventure. He died in 1963, loaded with honours – yet, of all the heroes of the School of Paris in its golden age, he remains an oddly shadowy and elusive figure, at once acknowledged and overlooked. He was no such prodigy as Picasso, his student work competent enough but remarkable only for being his student work. He was no radical innovator such as Matisse, and the fauve paintings here seem tentative and even academic against those of Derain and Matisse himself.

Yet the seriousness of his engagement is always clear, and with the transition from fauve to proto-Cubist, hinting at Cézanne in "The house on the hill" of 1907, the mature and distinctive artist declares himself. The subsequent encounter with Picasso was, of course, decisive, changing his life, and yet who would now say who was the dominant partner of the two? The issue is still critically alive, questions of actual authorship still unresolved. Yet the difference between the two protagonists comes into focus, and the wonderful run here, of Braque's analytical cubist and later synthetic cubist paintings and collages, advance the process remarkably.

Braque is, above all, the cubist of classical order and simplicity, calm, stable, the work set not rigidly but essentially upon the vertical and the horizontal. Picasso, by contrast, was ever the expressionist in sensibility, the work active, *mouvementé*, working off the dynamic of the diagonal. While Matisse was in sort ever the fauve, and Picasso by turns all things to all men – expressionist, symbolist, surrealist, classicist and expressionist again – it was as a cubist that Braque came to himself, and so in essence he remained throughout his life.

'La femme au livre' by Georges Braque, 1945

Cubism turned him from the fauve colourist he could never be to the tonal painter he truly was. And it was by cubism too that he fixed upon the still-life, which was to be his constant subject and which supplies the greater part of this exhibition. There are unevennesses, of course, and a falling-off towards the end, though not without interest in the small late landscapes that pay modest homage to Van Gogh.

But the strength of the show lies with the magnificent sequence that takes us through from cubism to the large still-lifes and studio interiors of 1930s and 1940s, that have the space and scope of landscape, and yet the close intimacy of the known place and the familiar object. The space is diffracted yet open and coherent, the form fragmented yet resolved, the whole contradictory yet imaginatively convincing, the surface undemonstrative yet dense, rich and subtle. It is the work of a profound master, and a lovely exhibition.

■ Georges Braque: Fondation Pierre Gianadda, Martigny Switzerland; until November 8

Exotic drama from Spain in Vienna

***Jackie Wullschlager** gets caught up in zarzuela, flamenco and peasant ritual*

THE HOLY Roman Emperor Charles V is supposed to have said "I speak Spanish to God, Italian to women, French to men, and German to my horse." Polyglot sophistication was the triumph of this year's Vienna Festival, which between *Carmen* and *The Barber of Seville* presented a showcase of Spanish drama in English, French, German and even Romany. Among the most exotic theatre to tour Europe's summer festivals – Avignon, Paris' "Cycle hispanique", Seville – in the next months will be Spanish plays. The three I caught were eye-openers: idiosyncratic, highly-charged exports unlike anything else in the European repertory.

Imagine *HMS Pinafore* playing in the Pyrennees and you get a sense of Spanish zarzuela tuning up in Vienna's stately but decaying Ronacher Theatre. Habaneras, fandangos, a parched courtyard, serenades up to wooden balconies, women rushing in with cakes balanced on their heads, men in straw hats singing hymns to an accordion; this is the local colour of Spain's folk opera-cum-musical theatre. The zarzuela, its golden age a century ago but its evergreens still as popular as contemporary hits, is Spain's equivalent of Viennese operetta or Gilbert and Sullivan. Like them, it tells much of national character, it is satirical and it depends on caricature and catchy numbers; unlike them, it concentrates on ordinary people, those who hang about village squares or courtyards, their lives a public entertainment.

Alain Maratrat's *Zarzuela! Historia de un patio*, a French co-production between Vienna, Avignon and Peter Brook's *Bouffes du Nord*, is based on Tomas Breton's zarzuela about the festival of the patron of Paloma, *La Verbena de la Paloma* (1894). It opens in brilliant daylight, extras throwing water across the stage to cool the courtyard and the rising passions. Julian, the jealous lover, seeks his rival; Don Hilarion, the old apothecary in threepiece white suit, sunglasses and walking stick eyes the girls nostalgically; Mari-Pepa the coquette flutters her eyelids randomly from her window.

Castanets, fans, bursts into dance and songs about España set the tone, but this is also any small town on a summer bank holiday, where lovers' tiffs and quests escalate into violence, harmless raconteurs are threatened with a gun because there's not enough to do. The celebrations twist suddenly into fear; the stage darkens, the courtyard becomes a mesh of nooks and doorways, Mari-Pepi's lover creeps out to declare himself, to be confronted by three others with the same idea. A fight turns as quickly into a joke, a clown with a pig-tail strums a lantern-lit love-song on a pianola.

Musically, I found my first zarzuela an agreeable hotchpotch. Voices range from the full-bodied mournfully mellow Julian (tenor Rodolfo Acosta) to actors singing hits; solo instrumentalists are both competent and fine comedians, from acrobat-violinist Manuel Solans to the guy playing wine bottles like a xylophone. It's light-hearted summer fun, earthy, knowing, anarchic in its alliance with the underdog: women have power, men are romantic fools; a brass band shambles around the auditorium as a mocking march erupts at the verbena: *"le gouvernement parle/De la question sociale"*.

Spain's great modern dramatist Federico Garcia Lorca once wrote a poem about joining in the verbena to get close to folk gossip and the disorder of everyday life. To show Lorca's intense *Blood Wedding* just after Maratrat's *Zarzuela!* was a triumph for Vienna, an example of how at a festival illuminating contexts can enhance enjoyment of even very strong individual productions. *Blood Wedding*, Lorca's rural tragedy of lust and revenge, seems in Theatre Pralipe's Romany version a natural successor to the Spanish folk musical. Ritual courtship, jealousy, murder are played out on a public stage through mime, dance, music. Classic types – the Mother, the Bride – are pushed to enact "honourable" roles that tear them apart within.

The entire play is encompassed in an opening choreographed duel and love affair played to the Habanera from *Carmen*. There is a fight between cockerels on a barely lit platform. In a fevered ballet lovers swing towards each other and apart holding on to blood red sashes. A dance with forbiddden fruit has oranges meekly swapped by the married pair, gnawed to scraps by the lovers. An actor playing the Moon covers the rivals with a gold shroud before a forest of candles with a shrine of the cruxifixion.

The seasons, the heat, inflammatory village talk, day turning to night; in all this the stage becomes a self-contained world rooted in peasant ritual. Yet Lorca was writing in the 1930s and grafted expressionist anguish on to popular Spanish lore. The success of director Rahim Burhan's iconography is to draw hallucinatory fear out of the sentimental, naive tale. In his poetry, Lorca saw gipsies as emblems of ordinary folk vulnerable to authority, to the Civil Guard with their *"souls of patent leather"*. This is the second time I have seen this gypsy production; it is now exquisitely stylised yet still raw; fresh, and not to be missed as it winds across Europe.

From Lorca to Hemingway: both obsessed by death, blood ritual, Andalusian landscapes and customs, but the one lyrical, the other macho in response. Hemingway would have loved Jan Lauwers' Needcompany's setting of his stories, *Invictos*, which opens with an enormous stuffed bull rotating centrestage and a burst of flamenco. Tough-talking guys in sharp suits and sunglasses cut and thrust at one another while touching up the beast; they smoke, drink whisky, direct one another across the stage, each to his place at the foot of a wooden panel with a porthole through which grins a large fish.

You guessed it – they are actors and writers whose story of artistic failure is told through the metaphor of a shipwreck. Of course, as the title suggests, they are not conquered in the end, because their failure becomes an art – hence the play, which is riddled with such tail-chasing wisecracks. Deconstructionist twists, gallows humour, corpses dug up because bribes haven't been paid, intermingle with tourist numbers like "Spain is a burning rose". There are longueurs, but I was won over: by speed, slick timing, breathless improvisation of language – it plays in Spanish, German, Dutch or English according to venue – and text, which seems to adapt to participation even from babies in the audience.

■ *Zarzuela! Historia de un patio*, sponsored by Rank Xerox, is at the Avignon Festival in July; another zarzuela, *La Del Monojo de Rosas*, is at the Theatre Europe, Paris, from June 28. *Invictos* is in Berlin (16-20 June), Amsterdam (27 June – 1 July), then Seville. *Blood Wedding* is also to tour Europe this summer.

Schubertiade moves house

HAS SCHUBERT moved house for good? The Schubertiade letter-head still reads *Schubertiade Hohenems* even though it has moved, lock, stock and barrel, to nearby Feldkirch (like Hohenems, a medieval town in the Vorarlberg). Last year the move might have seemed temporary; the main Hohenems venue, its medieval palace, had been renovated and was hosting an exhibition. This year (it opened on June 12) it begins to look permanent. Why?

It has partly been a question of facilities. The Hohenems palace seats only 300 people and the authorities have been too short-sighted to provide any alternative. Feldkirch, with 27,000 inhabitants, is twice as big and can boast a concert hall, the Montforthaus, with room for 1,100 people. The Feldkirchers have also created other venues, like the courtyard of the local fortress (200 seats) and an open air stage in the forest (500). Above all they have renovated a hall with room for 500 in the local music conservatory, the former Jesuit school of Stella Matutina.

Their dynamism has even created a brand-new headquarters for the festival administration in a new square by the river Ill (the Schubertplatz, naturally) and a rustic footbridge over one of its tributaries leading to the open-air theatre and the mountainside beyond. You begin to wonder whether the special flavour of the Schubertiade won't suffer.

Of course, growth was inevitable. There were only 3,000 tickets sold for the inaugural event in 1976; seven times as many are sold today. This growth may not continue too dangerously. This is essentially a festival of lieder, piano and chamber music. That means a strictly limited, self-selecting public. There will never be popular operas here, so the danger of the place developing into a second Salzburg is remote. The intimacy should remain, and with it the charm of being able to bump into Brendel or Peter Schreier on your afternoon walk.

Musical standards also seem secure. This year you could hear singers like Schreier and Olaf Baer, Gruberova, Margaret Price and Fassbaender in the space of a couple of weeks (Fassbaender will also exhibit some of her own paintings). The Emerson and Alban Berg quartets are here. And best of all, Andras Schiff is playing all 18 Schubert piano sonatas.

The Schubertiade is a rare bird among musical events in being self-supporting. The annual budget – 9-12m Austrian schillings, say £0.5m – is met entirely from ticket sales; seats range from £15-£40 for average recitals, rising to £25-£80 for major events, including orchestral concerts. This year about 23,000 tickets have been sold. Of the patrons, a quarter come from Austria, 40 per cent from Germany and 20 per cent from Switzerland; Britain, with 5 per cent, is well ahead of the other non-German countries. On average each spectator attends four events.

That means serious money. I was told that between 15,000 and 18,000 hotel beds are booked over the 18 days of the festival; the patrons spend a further estimated £1m. One can only wonder at the Hohenemsers letting their share of that go. Franz Schubert means hard cash today, unlike in his lifetime; I wonder if he will ever move back to Hohenems.

Victor Price

Records

Summer music

THE longest day of the year falls this weekend and midsummer music is in full swing. The blossoming of music festivals has become one of the most agreeable features of the English summer and it is difficult to picture June without them – sun-drenched walks along the beach at Aldeburgh, picnics at Glyndebourne, the gentility of Buxton and Georgian elegance of Cheltenham soon to follow.

One of the favourite works at this time of year is inevitably Mendelssohn's *A Midsummer Night's Dream*. The music always wins a ready following, but it is only the more adventurous festivals that perform it with Shakespeare's play, as intended. At home a recording of text and music together might seem an unsatisfactory prospect and yet this is what EMI has just issued and with conspicuous success.

Of all the sets of incidental music, this is perhaps the most intricate. Mendelssohn sprinkles a magical dusting of music over the whole play. The arrival of Titania and Oberon, for example, provokes a short greeting of sprite-like delicacy and their ensuing conversation is accompanied by a myriad little phrases of will-o'-the-wisp orchestral filigree. Jeffrey Tate and his Rotterdam orchestra give an agreeable account of the score and actors from The Peter Hall Company speak the text. The two halves, moreover, have been put together in a convincingly atmospheric acoustic.

Purcell's *The Fairy Queen* is also a *Midsummer Night's Dream* entertainment, though in this case music and play remain pretty well separate. There is little argument for including the text on a recording, but it is a shame that when Benjamin Britten recorded the piece in 1970, he saw fit to make a drastic arrangement of the music. Most of the score is re-ordered; some is omitted altogether. There is always a case for hearing what Britten made of another composer's music and this Decca re-issue remains an important set; but not all the singing matches the best that we have heard since.

Mendelssohn: *A Midsummer Night's Dream*. Rotterdam Philharmonic Orch/Tate. EMI CDS 754348-2 (2 CDs)
Purcell: *The Fairy Queen*. English Chamber Orch/Britten. Decca 433 163-2 (2 CDs)
Lambert: *Summer's Last Will and Testament; The Rio Grande*. English Northern Philharmonia/Lloyd-Jones. Hyperion CDA 66565
Haydn: *Die Jahreszeiten*. English Baroque Soloists/Gardiner. Archiv 431 818-2 (2 CDs)
Glyndebourne Wind Serenades. The London Philharmonic, Orchestra of the Age of Enlightenment. EMI CDC 754424-2

There are echoes of Britten and – even more – Walton in *Summer's Last Will and Testament* by the never-quite-forgotten Constant Lambert. This is a choral work with orchestra, written in the 1930s to words by the Elizabethan poet Thomas Nashe. In his poetry summer becomes an evil season when plague and pestilence start to spread (Nashe himself is believed to have died of the plague c1601). There is plenty of jazz-based energy in the score and Lambert's distinctive fingerprint is on every bar. But in the end this is a disturbing work, which shows for once the depressing depths that lurked beneath the composer's sunny exterior. Strangely memorable.

In Haydn's *Die Jahreszeiten* ("The Seasons") summer arrives in a blaze of D major. This is the noon-day sun at its height, celebrated by a chorus of villagers in music of radiant affirmation. The mood, however, soon changes: a tenor solo in the minor tells of the drought that follows, of "wilting flowers, parched fields and fountains run dry" – a reminder that summer had its downside long before the phrase "global warming" had ever been invented.

In that passage on Archiv's new recording Anthony Rolfe Johnson is the marvellously sensitive tenor and he is but one of three exemplary soloists. Barbara Bonney is the wholly delectable soprano and Andreas Schmidt an eloquent baritone, just a mite short on open-hearted rustic vigour. The standard of choral singing and playing under John Eliot Gardiner is as immaculate as one might expect and little, in terms of pictorial vividness or expressive feeling, seems to escape the conductor's notice.

In 1991, for the Mozart bicentenary year, the Glyndebourne Festival invited five British composers to write wind serenades loosely based on that festival's Mozart operas. The most successful of the pieces drew an appreciative, if small, audience in the gardens and now EMI has gathered them together on an imaginative new disc. It is difficult to imagine a less painful way to get an introduction to some of our brightest younger composers. I especially enjoyed Robert Saxton's dramatic paraphrase on *Idomeneo* and Stephen Oliver's haunting, pensive octet derived from *La clemenza di Tito*.

Best of all, though, is the *Figaro* serenade by Jonathan Dove – open-air music, breezy, glinting with evening sunshine. This is perfectly conceived summer garden entertainment: a different choice for midsummer night this year, if Mendelssohn does not mind.

Richard Fairman

Radio

Help at hand

RADIO 1 is the most socially active of all channels. This week, *Race through the 90s* has dealt with ethnic prejudice. Short recorded complaints were inserted into the programmes where likely to be heard, followed by brief advice. Mark Goodier's 7 o'clock slots interview familiar players who have triumphed over prejudice. (The Irish are included.) There is a helpline, 0800 500 800, and a Commission for Racial Equality booklet is free to those who ask. May it all come off well.

I keep in touch with Radio 4's *Hospital* lest the staff should become cosy familiars. But this week Dr Patel, on duty for 27 hours with only 15 minutes' sleep (no helpline for him!), only addressed his colleagues, staff and patients, and Nick West's liver-transplant was free of extraneous drama, though the replacement organ was a dud. I wonder if the ill-mannered emergency admissions staff knew their voices were being recorded? This obsessive interest in hospital procedure is inexplicable to me, but it has long been around.

Science programmes on Radio 3 usually approach us as if we were insiders, but *Is it really science?* on Wednesday called on philosophy as well as physics. The unanswerable question debated was the one we all ask after reading Stephen Hawking's best-seller: under what laws did the Big Bang become the Big Bang? Bill Newton-Smith (philosophy) and Paul Davies (science) discussed this with Bryan Magee. There must have been laws of *something*, Newton-Smith held. Just the unchanging laws of science, Davies insisted. Might other laws have existed? No, all laws came under a "superlaw".

Everything mathematically ordered, Magee quoted, suggests intelligence. We were slipping, albeit modestly, into philosophy, even theology. Consoling myself that more science came on Radio 3 later that evening, I reckoned I must do with that. It was only the second *Ecology Debate*, though, less interesting now the Earth Summit is over.

Radio 3's Sunday play was John Clifford's brilliant *Ines de Castro*. Ines (Deborah Findlay) is a Spanish girl, lover of the Portuguese prince Pedro, and has born him two children. Spain and Portugal are at war, so Ines is reckoned a spy, and the King reckons she must be put down. He promises Pedro that no such thing will happen, but commissions his agent Pacheco to do this service as soon as Pedro resumes his command at the frontier.

Pacheco duly beheads the children and their loyal Nurse, then cuts Ines's throat. Unluckily for him, Pedro wins an unlooked for victory and returns. When the King dies and Pedro assumes the crown, he initiates a dreadful vengeance. Five years buried, Ines's body is dug up and robed as Queen. At a great state banquet, Pacheco is killed, slowly and publicly, while guests are made to hold Ines's decayed hand.

Clifford shows no bias between truth and fancy. Supernatural characters seem as natural as the ably-drawn human. Ines is consoled by the Devil (an old woman, Margaret Robertson, great) with talk about the state of Hell. At Ines's funeral service, the people chat about the meat trade, and the tailor measuring he body for her robes moans that he wasn't told whether to use inches or centimetres.

The play was commissioned for the Traverse in 1990. The guitar music by Jeremy Taylor has been added for radio, but, with respect to able director Marilyn Imrie, it breaks the continuity of thought too often. Deborah Findlay's calm, pure Ines was perfect.

B.A. Young

Chess No 928: White takes back K(g4)x R(f5). Black retracts R(f1)x Q(f5). This leaves White Kg4,Qf5 v Black Kh2, Rf1. Now Black plays Rh1 and White mates by Qf2.

TELEVISION

SATURDAY

BBC1

6.35 Open University. 7.25 News. 7.30 Hallo Spencer. 7.55 Babar. 8.15 The Jetsons. 8.35 Round the Twist. 9.00 Parallel 9. 10.47 Weather.

10.50 Grandstand. Introduced by Bob Wilson, including at 10.55 Cricket from Lord's: England v Pakistan in the Second Test. 1.00 News. 1.05 Football: Round-up of the European Championship from Sweden and a preview of the semi-finals. 1.30 Tennis from Eastbourne: The Pilkington Glass Ladies' Championship. 1.55 Racing from Ascot: At 2.00 The Ritz Club Fern Hill Handicap Stakes. 2.05 Tennis/Cricket. 2.25 Racing: At 2.30 The Haagen Dazs Handicap Stakes. 2.35 Tennis/Cricket. 2.55 Racing: At 3.00 The Grand Met Handicap Stakes. 3.05 Cricket. 3.30 Racing: At 3.35 The Southern Comfort Stakes. 3.40 Tennis. 4.00 Cricket. 4.45 Golf: The US Open from Pebble Beach, California. Times may vary.

5.10 News.

5.20 Regional News and Sport.

5.25 Jim'll Fix It.

6.00 The Brittas Empire. Gordon plans to boost morale by encouraging the staff to talk about their personal problems. Comedy, starring Chris Barrie.

6.30 That's Showbusiness.

7.00 Keeping Up Appearances. Comedy, starring Patricia Routledge and Clive Swift.

7.30 Growing Pains. The Hollingsworths are disrupted by the arrival of Mercedes, a sophisticated 11-year-old, and Tom is shocked when his long-lost father turns up. Starring Ray Brooks and Sharon Duce.

8.20 Casualty. Ash is upset when an elderly patient (Peggy Mount) dies. With Charlotte Cornwell.

9.15 News and Sport; Weather.

9.35 That's Life! Reporting on the antics of Britain's car clampers. Plus, Esther tests the public's powers of observation by swapping her microphone for an ice lolly, and a sheep demonstrates its talents.

10.15 Film: Remo Unarmed and Dangerous. A New York cop is recruited by a secret society to avenge the wrongs of the world. Starring Fred Ward and Joel Grey (1985).

12.00 Film: Miracles. Romantic adventure, starring Tom Conti and Teri Garr (1985).

1.25 Weather.

1.30 Close.

BBC2

6.40 Open University.

3.00 Film: Summer Stock. When a theatre troupe takes over a farm for rehearsals, the lady owner gets the showbiz bug. Musical, with Judy Garland, Gene Kelly, Eddie Bracken and Phil Silvers (1950).

4.45 Cricket: Second Test. England v Pakistan from Lord's. Action from the third day's play of the Second Test as England take on Pakistan.

6.30 The Human Element. Profiling Carl Djerassi, the American whose research on sex hormones led to the marketing of the contraceptive pill in 1960. Then, after his daughter's suicide, he set up an artistic community in the Santa Cruz mountains and his career as a writer of fiction adds a new dimension to an already extraordinary life.

7.00 News and Sport; Weather.

7.15 Have I Got News for You. Guests Trevor McDonald and John Sessions join team captains Ian Hislop and Paul Merton in the irreverent comedy news quiz.

7.45 Rhythms of the World. Klezmer – Fiddler on the Hoof. Performances from some of the greatest exponents of Klezmer, Jewish dance music which is now enjoying a revival in the USA.

8.40 Teenage Diaries. Following three months in the life of 13-year-old Jewish boy Daniel Moss.

9.35 Golf: US Open. Coverage from Pebble Beach of the closing stages in the third round.

12.00 Cricket: Second Test.

12.30 Not Necessarily the News: Inside Entertainment. A spoof of the Oscars by the team from America's answer to 'Not the Nine O' Clock News', mixing spoof interviews and adverts with actual footage from the Academy Awards.

1.20 Night Creatures. A celebration of 80 years of movie monsters, hosted by John Astin of 'The Addams Family' and starring vampires, werewolves, zombies and other visitors from beyond the grave.

2.05 Close.

LWT

6.00 TV Am. 9.25 Gimme 5. 11.30 Zorro. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.

1.05 LWT News and Weather; The Day.

1.10 Saint and Greavsie. Ian and Jimmy preview the European Championship semi-finals taking place in Stockholm tomorrow and Gothenburg on Monday. Plus, a look back at some of the more off-beat moments of the tournament.

1.55 WCW Wrestling.

2.35 Film: McCloud: Lady on the Run. Sam McCloud travels to Mexico to bring a glamorous murder suspect to justice. Starring Dennis Weaver.

4.30 Only Joking.

5.00 ITN News; Weather.

5.05 LWT News.

5.15 Beverly Hills 90210.

6.10 Bob's Your Uncle.

6.50 Father Dowling Investigates.

7.50 Film: The Ruth Rendell Mystery Movie: Means of Evil. Wexford and Burden attend the wedding of a health food fanatic, and are then called to investigate the mysterious death of his new wife. Detective thriller, starring George Baker, Christopher Ravenscroft, Cheryl Campbell and Patrick Malahide.

9.45 Michael Winner's True Crimes. Examining the detective work which trapped the killer of 19-year-old Oxford student Rachel McLean.

10.15 Tom Jones: The Right Time. Tom looks at the influence of soul on modern music as he continues the story of pop through live performances and informal conversation. With special guests Cyndi Lauper, Daryl Hall of Hall and Oates, and Sam Moore, half of the legendary duo Sam and Dave.

10.45 ITN News; Weather.

11.00 LWT Weather.

11.05 Wolf.

12.00 Get Stuffed.

12.05 Paul McCartney at 50 – Unplugged.

1.00 From Rio to Liverpool.

2.05 Get Stuffed; ITN News Headlines.

2.10 The Big E.; ITN News Headlines.

3.10 Bhangra Beat Special.

4.10 Get Stuffed.

4.15 The Hit Man and Her.

CHANNEL4

6.00 Early Morning. 10.00 Sign On: Your Views. 10.30 Film: Sons of the Sea. 12.00 Get Smart. 12.30 pm The Beverly Hillbillies.

1.00 Film: Brandy for the Parson. A couple unknowingly smuggle brandy into Britain. Ealing-style comedy, starring James Donald, Kenneth More, Jean Lodge and Charles Hawtrey (1951).

2.20 Film: The Admirable Crichton. A servant and his aristocratic employers are ship-wrecked on an island. James Barrie classic, starring Kenneth More (1957).

4.05 Scapa Flow 1919. Examining the self-inflicted destruction of the interned German fleet at Scapa Flow, Orkney, in 1919. Narrated by Mary Riggans.

5.05 Brookside.

6.30 Right to Reply. Viewer Jenny Hutchinson investigates the apparent loudness of adverts compared to the programmes they intersperse.

7.00 A Week in Politics. In a rare interview, Sir Robin Butler, Cabinet secretary of head of the Home Civil Service, talks about the future of Whitehall. Local Labour Party members in a marginal constituency assess their leaders' conclusions on the party's election defeat. Housing minister Sir George Young explains why the government is pressing ahead with its scheme to allow council tenants to convert rents into mortgages in spite of the failure of a pilot project in Basildon.

8.00 Kingdom of the Plains. New series. Examining the life-and-death struggle between the hunters and the hunted in the wilds of Tanzania.

9.00 GBH. Re-run of Alan Bleasdale's award-winning drama serial. A headmaster at a special school for children clashes with an arrogant council leader. Michael Palin, Robert Lindsay and Julie Walters star.

10.40 Film: Jules et Jim. Francois Truffaut's romantic wartime drama about a girl who shares her affections between two men (1961).(English subtitles).

12.35 The Twilight Zone.

1.30 Film: The Unseen. Period thriller, starring Joel McCrea and Gail Russell (1945).

3.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
1.05 Anglia News. 1.55 Starting from Scratch. 2.25 Chequered Flag. 2.50 The A-Team. 3.45 WCW Wrestling. 4.30 Only Joking. 5.05 Anglia News. 11.05 Beauty and the Beast.

BORDER:
1.05 Border News. 1.55 Chequered Flag. 2.25 The Day the Earth Moved. (TVM 1974) 3.35 The A-Team. 4.30 Dinosaurs. 5.05 Border News and Weather 11.05 Desperado.

CENTRAL:
1.05 Central News 1.55 Chequered Flag. 2.25 Flannelfoot. (1953) 3.45 WCW Worldwide Wrestling. 4.30 Only Joking. 5.10 Central News 11.00 Local Weather. 11.05 Asylum. (1972)

CHANNEL:
11.30 Blockbusters. 1.05 Glory Dates. 1.55 Queen of the Pirates. (1960) 3.15 You Know What Sailors Are. (1954) 4.45 Sheep Ahoy. 5.05 Channel News. 5.10 Puffin's Pla(i)ce.

GRAMPIAN:
1.05 Grampian Headlines 1.55 Crann Tara. 2.25 Adventure. 2.55 Kings of the Mountain. 3.45 WCW Wrestling. 4.30 Only Joking. 5.05 Grampian Headlines 5.10 Crionagan. 11.05 Desperado.

GRANADA:
11.30 Only Joking. 1.05 Granada News 1.55 Robbery. (1967) 4.00 Kings of the Mountain. 5.05 Granada News 11.05 Desperado.

HTV:
1.05 HTV News. 1.55 Dogs With Dunbar. 2.25 Golf: Players' Championship. 3.25 Chequered Flag. 3.55 Cartoons. 4.05 The A-Team. 5.05 HTV News.

HTV Wales as HTV except:
2.25 Golf: Players' Championship.

SCOTTISH:
11.30 Children's Island. 1.05 Scotland Today. 1.55 Cartoon. 2.00 The Spirit of St. Louis. (1957) 4.30 Only Joking. 5.05 Scotland Today. 11.05 Rocket to Sunrise - All Night Scottish Bands Special. 11.35 Deacon Blue.

TSW:
11.30 The South West Week. 1.05 TSW News. 1.55 Carry on Nurse. (1959) 3.35 The A-Team. 4.30 Only Joking. 5.05 TSW News. 11.00 TSW Weather. 11.05 Desperado.

TVS:
11.30 Blockbusters. 1.05 TVS News. 1.55 Queen of the Pirates. (1960) 3.15 You Know What Sailors Are. 4.45 Sheep Ahoy. 5.05 TVS News.

TYNE TEES:
11.30 Superman. 1.05 Regional News. 1.55 Chequered Flag. 2.25 The Life and Times of Grizzly Adams. 3.25 Isle of Man TT. 4.30 Only Joking. 5.05 Northern Life. 11.05 Desperado.

ULSTER:
11.30 Only Joking. 1.05 Ulster Newsline 1.55 Trailblazers. 2.25 Wrestling. 3.10 The Cat from Outer Space. (1978) 5.05 Ulster Newsline 11.00 Ulster News and Sport 11.05 Desperado.

YORKSHIRE:
11.30 Superman. 1.05 Calendar News. 1.55 The A-Team. 2.50 The Assassination Bureau. (1969) 4.55 Cartoon. 5.05 Calendar News. 11.05 Torn Curtain. (1966)

S4C Wales as Channel 4 except:
10.00 Sion Sadwrn. 12.00 Get Smart. 12.55 The Three Stooges. 1.15 International Athletics. 3.30 American Chronicles. 7.00 Newyddion Nos Sadwrn. 7.15 Sut Mae'r Dalit Hi. 7.45 Teulu'r Mans. 8.15 Larpwl Y Brididinas Goll. 9.00 Evening Shade. 9.30 4-Play: Shalom Joan Collins.

SUNDAY

BBC1

6.45 Open University. 8.50 Playdays. 9.10 News. 9.15 Telling Tales. 9.30 This is the Day. 10.00 Sign Extra. 10.30 Hindi Urdu Bol Chaal.

10.55 Cricket: Second Test. England v Pakistan. Fourth morning's play from Lord's.

12.30 Country File.

12.55 Weather for the Week Ahead; News.

1.00 On the Record. Is realignment on the left the only hope for the Liberal Democrats? Paddy Ashdown discusses possible deals with Labour. Also John Rentoul reports on the relationship between Labour and the Unions.

2.00 EastEnders.

3.00 Film: The Rose and the Jackal. A Secret Service chief falls in love with a wealthy young widow accused of being a Confederate spy. American Civil War drama starring Christopher Reeve and Madolyn Smith Osbourne (1990).

4.30 Bugs Bunny Triple Bill.

4.50 Survivors – A New View of Us. The story of Africa's biggest plague of locusts for 30 years as it hits a continent already devastated by drought, famine, war and disease.

5.20 Masterchef 1992. With guest judges food writer Lady Claire Macdonald and newsreader Trevor McDonald.

5.55 News.

6.10 Titchmarsh on Song. New series. Investigating the different ways in which the voice is used to praise God.

6.45 The Eagle Has Landed. World War II adventure film with Michael Caine

9.10 Birds of a Feather .

10.00 News and Weather.

10.15 Everyman. Forty percent of professional sportsmen in America claim to be churchgoers. The Rev Pat Richie, chaplain to the San Francisco 49'ers, feels that athletes need spiritual sustenance. But are sporting christians simply praying to win?

10.55 Knight and Daye. The US comedy series about two feuding radio show hosts. Jack Warden stars as Hank Knight and Mason Adams, veteran of the Lou Grant TV series, stars as Everett Daye.

11.20 The Human Element. The controversy surrounding the conservation of an ancient cathedral in Maastricht. Shown last Saturday on BBC2.

11.50 Weather.

11.55 Close.

BBC2

8.35 Open University. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Bob Wilson. Including at 12.30 Cricket: England v Pakistan in the Second Test. Commentary by Richie Benaud. 1.00 Golf: The US Open. Third round action from Pebble Beach. Commentary by Peter Alliss. 1.40 Cricket. 3.40 Tennis: Wimbledon preview. Looking forward to the 106th championships starting tomorrow. 4.00 Cricket. 5.00 Tennis/Football: Wimbledon preview/ European Championship Football preview. Times may vary.

6.35 The Money Programme. Reporting on the moves within the public sector for grassroots management, including an Uxbridge benefits agency where a customers' charter is in operation and computerisation is boosting efficiency. Plus, a Middlesex hospital is running a pilot scheme whereby sisters are running their own budgets, with the responsibility for attracting patients and managing staff. Last in series.

7.15 Life on Earth. David Attenborough recounts the story of the reptile, the first backboned creatures to solve the problems of living out of water.

8.10 Artists' Journeys. American artist Eric Fischl travels to France on the trail of 20th century Master Pierre Bonnard.

8.50 The Survivor's Guide to Yugoslavia. For many, the fall of Communism in Yugoslavia seemed to herald the end of an horrific regime. But the event brought war, not peace, and as the Croatians, Serbs and Bosnians battle it out, Europe is experiencing fighting on a scale not seen since World War Two. Jonathan Dimbleby looks at the difficulties of striving for long-term peace and Peter Godwin reports from the rival republics on the source of the conflict.

9.30 Golf: US Open. Steve Rider introduces live coverage of the closing stages from Pebble Beach, California.

1.00 Cricket: Second Test. England v Pakistan. Highlights of the fourth day's play from Lord's.

1.30 Def II: Dance Energy House Party.

2.10 Close.

LWT

6.00 TV-am. 9.25 A Tale of Two Critters. 10.15 The Littlest Hobo. 10.45 Link. 11.00 Morning Worship. 12.00 The Curate's Egg. 12.30 pm LWT News Weekend. 12.55 LWT Weather.

1.00 ITN News; Weather.

1.10 Special Inquiry With the review of the BBC's charter expected in 1996, Donald MacCormick presents a filmed report and studio debate about the future of the corporation; The Day.

2.15 International Rugby Union: Australia v Scotland. Highlights of the Second Test from Ballymore. Plus, news and action of England B in their provincial matches.

4.00 Cartoon Time.

4.05 Film: Doublecross. Donald Huston plays a Cornish fisherman who gets mixed up with a dangerous foreign agent after a night of poaching. With Anton Diffring (1956).

5.25 Dogs with Dunbar.

6.00 ITN News; Weather.

6.05 LWT News; Weather.

6.10 People Get Ready. Juliet Coley introduces an international gospel music line-up, including the Oslo Gospel Choir with South Africa's a capella group Amabutho.

6.45 European Championship Football. Elton Welsby introduces the first semi-final from Stockholm. After the league system in the first round, it's now down to sudden death for a place in Friday's final.

9.40 ITN News; Weather

9.55 LWT Weather.

10.00 Frankie's On – Board New series. In this series made shortly before his death, Frankie Howerd performs stand-up routines for selected audiences; The Day.

10.30 Cue the Music.

11.35 The ITV Chart Show; ITN News Headlines.

12.35 John Lennon – Live in New York City; ITN News Headlines.

1.40 Film: The Fiend Without a Face.

3.00 Coach.

3.30 Night Heat.

4.20 Get Stuffed.

4.25 Out of Limits.

4.35 Pick of the Week.

5.05 Soap.

CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan.(English subtitles). 10.00 Dispatches. Has the US government failed to act on reports that hundreds of American servicemen missing during the Vietnam War are still being held captive in Indo-China?

10.45 Dennis. 11.00 Beat That. 11.30 Flipper. 12.00 Little House on the Prairie.

1.00 Voyage to the Bottom of the Sea.

1.55 Film: Best Foot Forward. Lucille Ball stars in this musical (1943).

3.40 Turn to the Wind. Documentary about windmills.

4.00 Real Tennis. Prince Edward and Sue Barker help Sally Jones explore the myths and mysteries behind the world's oldest racket game; News.

5.00 American Chronicles. Offbeat documentaries from David Lynch and Mark Frost.

5.30 Kabaddi.

6.00 Bush Tucker Man. Les Hiddins continues his trek around the Australian Outback and seeks out spectacular geographical formations.

6.30 The Cosby Show.

7.00 Watching the Detectives. Looking at the work of real-life private investigators. Do their lives match up to the glamour and intrigue of their fictional counterparts?

8.00 Hard News. Investigating how a 10-year campaign by a Preston shopowner to vilify left-wing millionaire businessman Owen Oyston led to damaging articles in the Press.

8.30 Without Walls Special: This is Tomorrow. Examining the relationship between pop art and popular culture. The programme focuses on Bryan Ferry's ex-teacher Richard Hamilton, considered by many to be the father of pop art.

9.30 Four-Nations UK: Secret Passions.

10.00 Film: Shooting Stars. Comedy drama about teenagers who kidnap a football celebrity in the hope of realising their dreams. Starring Gary McDonald, Sharon Duce and Stratford Johns. (1990).

11.40 Cowboys.

11.45 Naked.

12.00 Spirit of Place.

12.10 Soho Square.

12.25 Film: Le Petit Soldat. Jean-Luc Godard's political drama, with Michel Subor and Anna Karina (1960).

2.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
10.20 The Littlest Hobo. 12.25 Countrywide. 12.50 Anglia News. 4.05 1992 Isle of Man TT. 5.00 New Candid Camera. 5.30 Secret Coastline. 6.05 Anglia News. 9.55 Regional Weather.

BORDER:
12.30 Gardening Time. 12.55 Border News. 4.00 The Fifth Missile. (TVM 1986) 5.05 Border News. 10.30 Prisoner: Cell Block H. 11.25 Penn and Teller – Don't Try This at Home.

CENTRAL:
10.20 Heidi. 12.25 Gardening Time. 12.55 Central News 4.05 At the Earth's Core. (1976) 5.40 Candid Camera Classics. 6.05 Central News 9.55 Local Weather. 10.30 Miami's Daughter.

CHANNEL:
9.25 Mickey's Happy Valentine's Special. 12.30 Reflections. 12.55 Les Francais Chez-Vous. 12.50 Tele-Journal. 4.05 Isn't Life Wonderful (1952) 5.30 House Style. 6.05 Channel News.

GRAMPIAN:
10.45 Under the Mountain. 11.15 Sunday Service. 11.45 Link. 12.30 Elton. 12.55 Grampian Headlines. 4.00 The Corn is Green. (1945) 5.30 The Way It Was. 6.05 Grampian Headlines 10.30 Prisoner: Cell Block H. 11.25 Penn and Teller – Don't Try This at Home.

GRANADA:
10.20 Heidi. 12.25 Cafe, Chaite. 12.55 Granada News 4.00 New Candid Camera. 4.30 Granada Action with The A Team. 6.00 Coronation Street. 6.55 Granada News 10.30 Prisoner: Cell Block H. 11.25 Penn and Teller – Don't Try This at Home.

HTV:
12.30 Farming Wales. 12.55 HTV News. 4.00 Press Your Luck. 4.30 Tennis. 5.30 The Channon and Sell Video Show. 6.05 HTV News.

SCOTTISH:
9.25 Woman Cheese Man. 10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 Sunday Service. 12.30 Elton. 12.55 Scotland Today. 4.00 Pop Profile. 4.15 Highway to Heaven. 5.05 Scotland Today. 5.55 Scottish Weather. 10.30 Taxi. 11.00 Days of Wine and Roses.

TSW:
12.30 TSW Farming Week. 12.55 TSW News. 4.00 Flashing Blade. 4.15 Gus Honeybun's Cartoon Time. 4.30 The Tin Soldier. 5.00 Kings of the Mountain. 6.05 TSW News. 10.30 Magnum. 11.25 Penn and Teller – Don't Try This at Home.

TVS:
9.25 Mickey's Happy Valentine's Special. 12.30 TVS News. 12.30 Agenda. 12.55 TVS Weather. 4.00 Isn't Life Wonderful (1952) 5.30 House Style. 6.05 TVS News.

TYNE TEES:
12.25 The Intruders. 12.55 Regional News. 4.00 Cobblestones, Cottages and Castles. 4.30 1992 Grundig Mountain Bike World Cup. 5.30 Earthmovers. 6.05 Regional News. 10.30 Prisoner: Cell Block H. 11.25 Penn and Teller – Don't Try This at Home.

ULSTER:
12.30 Gardening Time. 12.55 Ulster Newstime 4.00 Farming Ulster. 4.30 The Biggest Commercial in the World. 5.00 Coronation Street. 6.05 Ulster News and Sport 9.55 Ulster News.

YORKSHIRE:
9.25 Let the Balloon Go. (1979) 12.25 Nawrang. 12.50 Calendar News. 4.00 The Son of Robin Hood. (1959) 5.30 Only Joking. 6.05 Calendar News . 10.30 Caravan to Vaccares.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Mark Wynter. 1.00 The Al Read Show. 1.30 Someone and the Grumbleweeds. 2.00 Alan Titchmarsh at the Mill. 4.00 Sounds of Sinatra. 5.00 Cinema 2. 5.30 Make 'Em Laugh. 6.00 John Sachs Presents Frank Stallone in Concert. 7.00 Beat the Record. 7.30 The Great Classics. 8.30 Easy Does It. 10.30 Radio 2 Arts Programme. 12.30 Colin Berry. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather and News Headlines.
7.00 Morning Concert.
8.30 News.
8.35 Beethoven's Diabelli Variations.
9.30 Saturday Review.
10.55 Test Match Special.
6.10 Evening Sequence.
7.15 Jazz Record Requests.
8.00 La Finta Semplice.
10.45 Listener, I Married Them.
11.00 Schubert.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Money Box.
12.25 I'm Sorry I Haven't a Clue.
1.00 News.
1.10 Any Questions?
1.55 Shipping Forecast.
2.00 Any Answers?
2.30 Saturday Playhouse.
4.00 A Matter of Conscience.
4.30 Science Now.
5.00 A Year in Harness.
5.25 Tea Junction.
5.50 Shipping Forecast.
6.00 News.
6.25 Week Ending.
6.50 Stop the Week.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Writers Revealed.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Open Mind.
10.45 Braden Beside Himself.
11.00 Richard Baker Compares Notes.
11.30 First Love.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: News hour.
8.30 Saturday Edition.
9.00 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport On 5.
6.30 The Late Six-O-Six.
7.30 Le Top.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk. 8.30 People And Politics.
9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal View. 10.45 Sports Roundup. 11.00 News Summary.
11.01 Jazz Now And Then. 11.15 Club 648. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 Newsdesk.
12.30 Meridian. 1.00 News; News About Britain. 1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour. 3.00 News Summary.
3.01 Sportsworld. 4.00 World News. 4.15 BBC English. 4.30 News in German.
4.40 German Features. 5.00 News; Travel news; BBC English. 5.30 Londres Soir. 6.14 Letter From America. 6.29 News Summary. 6.30 Heute Aktuell. 7.00 German Features.
7.54 News in German. 8.00 McCartney at 50. 8.30 Europe This Weekend. 9.00 News; Personal View; Words of Faith.
9.30 Meridian. 10.00 Newshour. 11.00 News; News About Britain. 11.15 Jazz For The Asking. 11.45 Sports Roundup. 12.00 News; Words of Faith; Book Choice.
12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken Bruce Show. 2.00 News Summary.
2.01 Play Of The Week: The Millionairess. 3.00 Newsdesk. 3.30 Horizons. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 Business Review. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Radio 2 Young Musician 1992. 4.30 Sing Something Simple.
5.00 Charlie Chester. 6.30 Music of the Masters. 8.30 Sunday Half-Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Midsummer Night's Jazz. 1.00 Colin Berry with Night Ride. 3.00 A Little Night Music. 4.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Morning Concert.
9.30 News.
9.35 French Suites.
9.15 Slava!
10.15 Music Weekly.
10.55 Test Match Special.
6.10 Evening Sequence.
7.30 Bach.
9.10 Listening To.
9.55 From the Aldeburgh Festival.
11.35 Natalia Koval.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 News; Morning Has Broken.
6.55 Weather.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
8.55 Weather.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
12.55 Weather.
1.00 The World This Weekend.
1.55 Shipping Forecast.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Treasure Islands.
5.00 News; Down Your Way.
5.40 Aesthete's Foot.
5.50 Shipping Forecast.
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Europhile.
7.00 Who Believes in Britain?
7.30 Bookshelf.
8.00 Iconoclasts.
9.00 The Natural History Programme.
9.30 Special Assignment.
9.59 Weather.
10.00 News.
10.15 The Adventures of Sherlock Holmes.
11.00 Fourth Column Revisited.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 International Rugby Union.
7.30 Summer Sundae.
8.35 Marianne Dreams.
9.00 Johnnie Walker.
10.30 A Family Learns Spanish.
11.05 In House.
11.30 Ring a Winner.
12.40 Open Forum.
1.00 Sunday Sport.
6.15 The Olympic Years.
7.00 European Championship Football.
9.30 Box 13.
10.10 Open University.
12.30 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain. 7.15 Letter From America. 7.30 Jazz For The Asking.
8.00 Newsdesk. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News; Words of Faith; Music With Matthew. 10.00 News; Business Review.
10.15 Short Story: Roki And The Blue Glass Bead. 10.30 Folk In Britain. 10.45 Sports Roundup. 11.00 News Summary; Science In Action. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 Newsdesk.
12.30 The Ken Bruce Show. 1.00 News Summary. 1.01 Play of the Week – The Millionairess. 2.00 Newshour. 3.00 News Summary; Earth Lives Phone-in. 4.00 News. 4.15 BBC English. 4.30 News in German.
4.40 German Features. 5.00 News. 5.14 Travel news; BBC English. 5.30 Londres Soir. 6.14 Club 648. 6.29 News Summary; News in German. 6.40 German Features. 7.54 News in German. 8.00 Classic Recordings. 8.30 Europe Tonight. 9.00 News; Folk in Britain.
9.25 Words Of Faith. 9.30 Brain Of Britain. 10.00 Newshour. 11.00 News; News About Britain. 11.15 Short Story: Roki And The Blue Glass Bead. 11.30 Letter From America. 11.45 Sports Roundup.
12.00 News; Business Review; Music With Matthew. 1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News Summary; Opera Of The Week. 2.45 Turning A Tune: Music Making In Ireland. 3.00 Newsdesk. 3.30 Composer Of The Month: Robert Schumann. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 The Week Ahead; Travel.

CHESS

THE SOVIET Union may be buried, but the Soviet chess machine is still flourishing. At half-way in the chess olympics at Manila, Russia had a commanding lead with four other former USSR republics in the top seven.

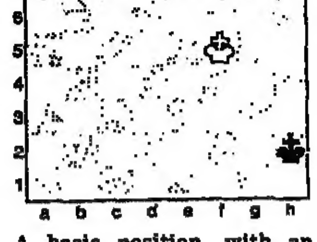
The team of the olympics are, improbably, Uzbekistan. The Central Asian republic, debutants in international sport and with only one grandmaster, defeated Bulgaria and Germany before a historic 2½-1½ victory over England, Nigel Short et al.

Seeded No 2, England have been baffled by the former Soviets, losing also to Georgia and drawing with Armenia and Estonia. Worse followed when England lost to Iceland and drew with Italy. While Short has disappointed, Kasparov has been brilliant.

(Li Yang Hsu, Singapore, White; John Nunn, England, Black; King's Indian; Manila 1992).

1 d4 Nf6 2 c4 g6 3 Nf3 Bg7 4 g3 0-0 5 Bg2 c5 6 0-0 d6 7 Nc3 Nc6 8 d5 Na5 9 Nd2 e5 A good formation against a weaker opponent. Black takes the initiative on both flanks. 10 e4 Bd7 Also strong is Ng4, intending Nh6 and f5. 11 h3 a6 12 Qe2? White's random moves provoke Black's K-side advance. Here 12 b3 and Bb2 is better. Rb8 13 a4 Ne8 14 Ra3 Qb6 15 Kh2 f5 16 Na2 Nf6 17 Qe3? Qc7 18 Qc3 Rbc8 19 f3? Nh5 An attack created by White's absenting his queen and weakening g3. 20 Re1 Rf7 21 Qc2 Qd8! A subtle threat, which White misses. 22 Rc3 Nxg3! 23 Kxg3 Qh4+! If 24 Kxh4 f4 and Bf6 mate, so White loses the exchange. 24 Kh2 Qxe1 25 Nf1 fxe4 26 Ng3 exf3 27 Bxf3 Nxc4 28 Resigns. White's game has collapsed.

CHESS No 928



A basic position, with an unusual requirement: White takes back his last move, then Black retracts his last move, then Black plays so that White can checkmate in one.

Solution Page XVIII

Leonard Barden

BRIDGE

MY HAND today is from rubber bridge:

N
♠ Q J 8 3
♥ 7 2
♦ 8 6 5 3
♣ 8 6 2

W
♠ 7 2
♥ Q J 10 4
♦ Q 9 7 2
♣ K J 5

E
♠ 5 4
♥ 9 8 5 3
♦ J 10 4
♣ 10 7 4 3

S
♠ A K 10 9 6
♥ A K 6
♦ A K
♣ A Q 9

South was the dealer with both sides vulnerable, and opened the bidding with two clubs on his 27 points. As expected, North gave a negative response of two diamonds, and South said two spades. When North raised to three spades, South went to six spades. This was a slight gamble, but the holding of four aces and three kings makes one optimistic.

West started with the heart queen. Winning with his ace, the declarer surveyed the position. There were five tricks in trumps, two hearts and a heart ruff, and two diamonds. That was 10 tricks; and if the club king was onside, the finesse of the queen would land the slam. The declarer, however,looked for something better than a 50 per cent club finesse. He looked more closely at his ace, queen, nine of clubs – of course, that was a standard throw-in finesse position after the preparatory process of elimination. So, he decided to go for an endplay.

He cashed his two diamond honours, crossed to the eight of spades, and ruffed a diamond with his spade king. He now led his spade nine to dummy's knave. When both defenders followed suit, all was well for the endplay. Had the spades broken 3-1, he would have had to rely on the club finesse. As it was, he crossed to his heart king and ruffed the six on the table. The scene was set.

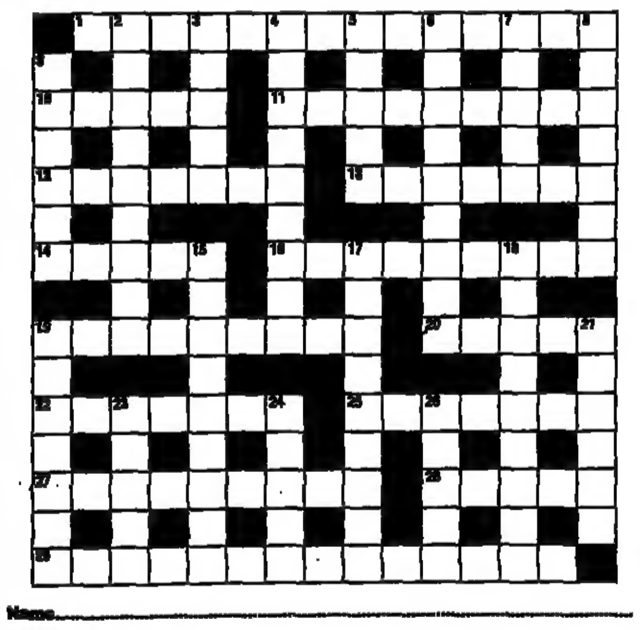
Playing a club from dummy, the declarer finessed his nine. West won with knave but had no good return. A club would run into the declarer's tenace, a heart would concede the ruff discard.

E.P.C. Cotter

CROSSWORD

No. 7,878 Set by DINMUTZ

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday July 1, marked Crossword 7,878 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday July 4.



Name.......................................

Address.......................................

ACROSS

1 A great school is destroyed – their lives are in ruins! (14)
10 A second fashion for the university (5)
11 Soldier organised relief with revolving fireworks (9)
12 Individual in landing-place is a settler (7)
13 Affecting each tip of the liver (7)
14 Reduce rent! (5)
16 Possibly airs papal opinion (9)
19 Could be divine in Eskdale – run off informally (9)
20 Glory of university party in Kings? (5)
22 Wind affecting unpopular leader and others (7)
25 Carries out our furniture (7)
27 Control of Italians' virus infection? (9)
28 Nothing bad about this girl (5)
29 Upper set in Sparta end disaster (14)

DOWN

2 Share drink in the grounds (9)
3 Door-fitting that makes half a turn? (5)
4 Deck with flowers painter retired in this blessed plot (9)
5 Tree to provide bow that fits into left hand (5)
6 By which means the Scots go on board? (9)
7 Ring right on tin for a quick drink (5)
8 Cut design for new clients (7)
9 French writer holding power in the academic world (6)
15 Greyish-white, Harry provides old cough remedy (9)
17 Composition scale by which some people are paid? (5-4)
18 Noticed us wriggling in temptation? (9)
19 Old verse-form among the wisest in anthologies (7)
21 My set's gone wrong in practice (6)
23 Ailing from a French seizure? (5)
24 Hastily. prepare bowler's approach to wicket (3,2)
26 Eliot's flower in a book? (5)

Solution to Puzzle No.7,877

A	P	P	L	I	C	A	T	I	O	N		N	A	P
L		H		N		T		N		A		E		A
F	R	A	I	L		T	E	C	H	N	I	C	A	L
R		S		E		R		E		N		T		A
E	Y	E	S	T	R	A	I	N		Y	E	A	S	T
S		O				C		S		G		R		E
C	O	U	P	L	E	T		E	T	O	N			
O		T		I						A		D		R
			I	B	I	D		C	A	T	S	E	Y	E
B		S		E		O		R				C		O
I	N	N	E	R		N	E	I	G	H	B	O	U	R
S		A		A		A		M		A		R		I
H	E	P	A	T	I	T	I	S		S	T	A	L	E
O		P		E		O		O		T		T		N
P	A	Y		D	E	R	A	N	G	E	M	E	N	T

Solution and winners of Puzzle No.7,866

M	E	T	H	O	D		S	P	I	T	F	I	R	E
I		O		D		C		O		R				N
S	O	U	N	D	P	O	S	T		A	V	A	I	L
S		C		S		H		L		T		G		I
H	A	H	A		R	E	D	U	C	T	I	O	N	S
A		D		D		R		C		O				T
P	R	O	F	I	L	E		K	I	R	S	T	Y	
E		W		C						I		R		C
	S	N	A	T	C	H		S	T	A	M	I	N	A
S				I		A		M		S		N		L
P	E	R	I	O	D	I	C	A	L		S	K	Y	E
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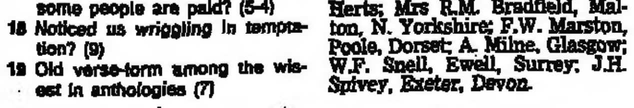
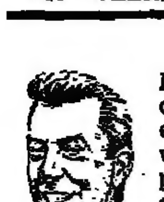
D	I	N	N	A		D	O	M	I	N	A	T	E	D
E		A		R		O		Y		O		R		E
R	A	L	L	Y	I	S	T		S	T	A	Y	E	R

I.J. Bidgood, Chorleywood, Herts; Mrs R.M. Bradfield, Malton, N. Yorkshire; F.W. Marston, Poole, Dorset; A. Milne, Glasgow; W.F. Snell, Ewell, Surrey; J.H. Spivey, Exeter, Devon.



Helping Perot prepare for power

HAWKS & HANDSAWS



I WAS IN Vail, Colorado, last weekend, hobnobbing with the rich and powerful. I took the chairlift up Vail mountain. Swam a dozen lengths a day. Played tennis. Got face-burn. Rode a bay horse named Pete along a river-side trail at dusk. Bought a pair of shoes. Read Elmore Leonard. And met Ross Perot, the chirpy Texan gunslinger who has injected a gust of drama into the race for the White House.

First, they looked me over. I was in the village, eating my dinner, *struggling to make sense of The New York Times*, when my table was surrounded by a dozen men in suits, some speaking into microphones or listening to ear-pieces, all carrying briefcases stuffed with documents, Ivy League types, not a Texan to be seen, so that I completely lost the drift of whatever it was I was eating. Elk, I suspect, though it could have been buck deer.

They patted me down, checked my ID, asked me some questions. Satisfied, they led me to a table at the back of the restaurant and introduced me to Ross Perot. He was wearing a blue suit and a blue-striped tie.

The reason he wanted to talk to me, said the man who would be president, was that one of his people had shown him last week's column, in which I outlined my plans for a British Board of Referenda.

"My people," said Ross Perot, "tell me that you share my belief in electronic town halls and on-line forums as a means to hash out national issues. That you, like me, advocate demographic databases and electronic conferencing so that groups of voters can listen to discussions, ask their questions, and then use touch-tone pads to vote on far-flung matters. That you understand teledemocracy – top-down, bottom-up links between voters and their president. That you are part of the vista of technopolitics. In short, that you are a can-do kinda boy with whom I might do business."

I said nothing.

"Tell me," said Ross Perot, "what is the one thing that will get me into the White House? Don't bother with issues, downtown stuff like that. And don't think in sound-bites. Stick to personal qualities. Take your time, boy. They'll keep your dinner hot."

"Mr Perot," I said. "The one thing that will get you into the White House is preparation. Nothing is so small you can afford to overlook it. You must attend to every detail.

"Let me tell you what the late Marlene Dietrich told her orchestra in Las Vegas the night before she opened. She and the orchestra and her musical director, Burt Bacharach, had just completed 32 hours of strenuous preparation, and Bacharach had announced that rehearsals were over.

"But Dietrich was a perfectionist, and inexhaustible. So she addressed the orchestra. 'All right,' she said. 'Burt says rehearsals are over. It's time to stop, time to go, and Burt *knows*. He *knows your union rules*... He knows your freeways and your lawn sprinklers and your swimming pools and your televisions, your standards and your aspirations. And so you must go home to your little wives in your little houses in the hills or the San Fernando Valley. I am prepared and willing to stay here all night. All night and all tomorrow, too. To get it right. To justify this thing we are doing, this act of theatre. But no. Your pools and martinis and television sets and wives are waiting, so never mind. Never mind that we open tomorrow night before the most cynical audience in the world. And we are not ready for them. But go. Go home and relax. And as you do, think that we open tomorrow night, and tomorrow night will be... a disaster.'

"But it wasn't," I said. "Marlene was a triumph."

Perot was spell-bound. "OK," he said. "Write me the sort of referendum question I should be asking as president." He gave me a gold pen.

"*Gun Control*," I wrote. "*President Perot says he wants to take guns out of the hands of violent people. Not all the people. Just drunks and crazies. Here's what he wants to do. Anyone who's had a cocktail or three and is caught handling a firearm will be sent down-river for 25 years. No ifs or buts. If you're in favour, vote 'Yes' on your touch-pad. If not, 'No.' But remember: we've got to make America safe for decent folk. Support President Perot. Vote 'Yes' for sanity.*" When I showed Perot my question, he hissed through his teeth with glee. "You'll do fine, boy," he said. "Welcome to the team." Then he gave me $35,000 and sent me to finish my dinner.

Michael Thompson-Noel

Private View/**Christian Tyler**

Living in another world

TOMORROW is our summer solstice, a high point in the calendar for disciples of the New Age. At the sacred *sites of Britain* – Avebury, Stonehenge, Glastonbury, Arthur's Seat, Callanish – there will be little pagan ceremonies, accompanied by music and dancing, pot-smoking and the police.

The New Age is difficult to define. It is a mildly apocalyptic vision of a post-technological world in which Man lives in harmony with Nature. It has no fixed doctrines or liturgy: it is a syrupy mixture of primitive animism, Christianity and Oriental mysticism. It is about saving the planet and being nice to others, but especially about feeling good. It is a *revolt against rationalism*, science and materialism, with a metaphysic as spongy as marshmallow.

To find out whether the New Age is more than any other other brain-softening cult I went this week to see Michael Irving, a publisher of New Age pamphlets and organiser of the Avebury summer solstice sit-in. He lives with his girlfriend, Karen Jones, in a rented bungalow in the West country looking out at Glastonbury Tor.

I discovered a normally intelligent, softly-spoken 40-year-old with a pale face and innocent, grey-blue eyes. There was a sickly smell of scented candles in the house and the new baby sat in his playpen, chubbily smiling like Buddha.

Within a minute of our meeting, however, I learned that the *bungalow is built on the* dragon line that runs diagonally from St Michael's Mount in Cornwall to Bury St. Edmunds in Suffolk. There are two of these dragon lines circling the world, one positive, one negative. They are harmless, my host explained as he handed me a glass of pure orange juice.

Michael Irving does not like *the term 'New Age'* because of the way it is used in the papers. "You often see people with crystals saying very funny things. I'd rather not be associated with that. It's quite a serious business." Instead, he talks of Leading Edge, New Thought or Inspiration.

Why do you celebrate the summer solstice?

"I think it's because of seasonal changes in the planet, as the sun moves up and back again, a movement of energy. I suppose, across the earth's surface. The ancients found strong places of that flow and built their temples there."

Some New Agers claim to be able to plug into the earth's current when they touch standing stones and generate energy by dancing in and out of them. Irving said he had not reached quite that degree of sensitivity, having been so "shut down" in his early life.

He had had to retreat from *life after the disciplines of* public school and the unfulfilling experience of working in his father's kitchen equipment shop on the Isle of Man, he explained.

He studied mechanical engineering at Farnborough College of Technology, worked for the 600 Group in project engineering but a bout of bad health sent him off to learn Transcendental Meditation. He became the cook at a TM academy in Derbyshire and later, in the TM settlement in Skelmersdale, *learned to design* and print T-shirts, stationery and menus.

In 1988 his life was changed by meeting Sir George Trevelyan, a prominent New Age guru.

"He awakened my consciousness, a deeper sensitivity that up to then nobody had really reached in me."

Sensitivity to what? I asked.

"*It's like a magnification* inwards, an inner opening and expansion. You feel things like hope, deep meaning and the significance of things."

Had you been depressed before?

"Yes. Normally depressed, as I would say." He smiled. "I didn't really know till then that I *was* depressed."

Under Sir George's influence he produced a scrapbook of favourite quotations from people like the Apollo astronauts, Mother Theresa – and Sir George himself. An "oak dragon camp" brought him to Glastonbury. He pointed out of the window:

While meditating one night near Warminster, on the edge of Salisbury Plain, Michael Irving saw three spaceships close up

"We camped three miles over there in the Glastonbury zodiac. Marvellous things *started to happen to me: sitting* in the circle feeling something tremendous as the talking stick passed round. I heard people saying interesting things, and real things, like they were fed up with the person in the tent next to them, or singing a song, or just holding the stick for a couple of minutes." Driving round, he could feel the energy flying across *the land*.

Next weekend 100,000 people will descend on the nearby village for the Glastonbury Festival. Irving is afraid there will be violence because, he explained, some people were *not used to celebrating* and feeling good about life. It seems the violence is due to a certain pre-millennial tension.

New Ageism is a "holistic" view of the world and making "connections" is important. *This includes connecting the* left brain (the rational hemisphere) with the right (intuitive) side.

I asked if the notorious Travellers were making these connections.

"I think they're totally right-brained without any left brain, plus a bit of anger. They feel the connection of things a bit too much. Like they want to *just pick up anything* and throw it in their van. They're a bit too connected. They don't have the discrimination to know what doesn't belong to them."

I asked about the Brew Crew (they drink Special Brew) and the Crusties (who don't wash).

"I think they are basically very confused people. Life isn't working for them but they don't know why."

A clue to the New Age revelation, according to some disciples, is contained in crop circles. When I said they had been exposed as hoaxes, Irving insisted some were genuine.

Apparently they fulfil the prophecies of a Red Indian "rainbow dream vision", a 20-year programme of enlightenment leading to the millennium. According to a certain Harley Swiftdeer, when the *winged or feathered serpent* wheels turn again we will see rainbow lights in our sleep. These rainbow lights accord with the seven coloured *chakras* or energy centres in our body. And, said Irving, the crop circles contained symbols from the rainbow dream.

I was losing the drift. Who makes these circles? I asked.

He hesitated. "Well I know who *I* think. I'm pretty sure it's extraterrestrial intelligence."

You really believe extraterrestrials make these marks?

"If you ask me personally, yeah. I have seen three spaceships quite close up."

He was meditating one night near Warminster on the edge of Salisbury Plain when three of them came over his car about 100 yards off. He chased after them. "They were about *25ft in diameter and there were* windows in them going round. I saw nobody at the windows but my heart opened. I felt incredibly wonderful.

"*Eventually they went over a* clay hill and I saw them going round over a stand of trees, very peacefully, before flying off towards Stonehenge and Avebury."

He believes they had chosen him in order to convey something. The message was "about getting people into circles, about raising our consciousness."

Irving went on to explain something called the Birth of the Cosmic Child, which is about recapturing lost innocence and spontaneity and sharing one's experiences.

I suggested psychoanalysis would do the trick without the need for earth currents or dream visions. Irving replied that both Freud and Jung had foreshadowed the New Age solution: just as the sun's energy radiates from earth's core to its surface, so we must learn to allow the heart *chakra* to radiate its energy to the body.

I see, I said.

I asked if he believed in God.

"What I do believe in is a consciousness that brings us all together."

Isn't what you are talking about pagan?

"I'm not too bothered about what things are called. It's just whether it feels OK and works. As a matter of evolution we *had to remove ourselves from* experiencing things directly. We split off and we're on the point of rejoining the flow."

We did not have to go back to living *in mud huts, he* added. We could keep the benefits of technology provided we restored the balance. I suggested that was dropping out. He said: "It's dropping in. It's a paradox, a turnround in *our appreciation of life*."

If I said you were childishly escaping into a primitive world of rituals, symbols and ignorance, what would you say?

"*It's not just being childlike*, it's not just living in the country, it's not just being artistic. You're making a left-brain. Something else is going to happen. I would say stick around because this thing is going to happen."

What is going to happen?

"I don't know. A good thing might be to go and stand in a good crop pattern and see what one feels. See if you feel good or excited or expanded.

What would you *like* to happen?

"I'd like to relax. I would like to not feel that I'm totally anonymous when I go out in the world. *That on the High* Street we know how to say hallo to each other, that we could start helping each other. We could start creating this prediction of Heaven on Earth. We could bring more celebration, more street parties."

It sounded OK. But it was a disappointing climax to my initiation into the New Age – especially because – as it happens – we're having a street party already.

Boring for England

***Dominic Lawson** knows why soccer fans turn to rioting . . .*

FOR THOSE comforted by the traditional and the familiar, events in Stockholm have been reassuring.

Cold wars come and go, the world's climate may dissolve in a puff of ozone, but still we can be sure that the England soccer team will lose ignominiously and that English fans will riot.

The riots are always followed by a marvellous outpouring of what-is-to-be-done-ism. The most amusing part is the attitude of those on the left, who normally advocate extreme leniency in custodial sentencing and the highest standards of police evidence of wrong-doing, but who, in the case of football hooliganism, propose *salutary punishments* and rough justice. The football hooligan is the most politically incorrect of individuals: he is, apparently, racist. Worse: he is in favour of macho-male dominance.

It has become fashionable to deny any causal link between *football games and violence*. It is said that these are thuggish, clannish young men, who merely choose soccer games as the pretext for their anti-social activities.

I find this puzzling. Why are *these outbreaks of hooliganism* never associated with Rugby League, or with the support of Essex County Cricket Club? I fear that football must be the cause, and the self-interested denials of this by the Football League should not be swallowed whole by the public and newspaper leader writers.

The connection, however, is not an obvious one, and has eluded commentators until now.

It is that association football is boring. And it is well known that boredom and crime are linked. *Soccer is boring* because it is impossible. Nobody, apart from the odd South American freak, can play it. It is just too difficult for the normally constructed human frame to control a ball *with a foot. (I discovered this* at an early age, and determined at school to play in no other position except goalkeeper).

At amateur level this impossibility is evident even to the players. They shout, curse, foul, and occasionally cry as the ball ricochets, defying reason or control.

But the same is true at professional and even international levels. There is none of the satisfying rhythm and discipline which characterise the ball-handling games such as cricket and rugby. Watching soccer on television is like watching a pinball game – interesting only if you have money at stake.

This can be demonstrated most clearly by a video recording played at fast-forward. There is no pattern at all – *except that one* notices, with shock, that the ball is only in play for about half the game, so impossible is it to control.

But the problem is that the soccer *fans do not realise that* they are supporters of an impossible game. They think it should make sense, that there should be glorious flowing movement from player to player, from end to end. The fans become *increasingly* frustrated and violent, as their *idols are shown to have boots* of clay, and as players described by the tabloid newspapers as geniuses and prodigies boot the ball into touch or simply fall over it.

The fans then turn back to *the tabloids to read – if they* can – the explanation. There they are told that it is not players' fault; oh no, it is the manager's fault. Read yesterday's *Sun* back page: "Sunsport Verdict: Turn it in, Taylor: GO NOW." Underneath this headline is a picture of Graham Taylor, the England football team manager, disguised as a turnip.

Poor Taylor. He is not a turnip. He knows that football is impossible; so random that nothing can be predicted. But it is more than his job is worth to admit it. So the careful massaging of the vain hopes of the dejected football supporters will continue, leading to more disappointments and frustrations and further riots, as inarticulate youths give vent to *their anger*.

I gather that Conor Cruise O'Brien, a great Irishman, last week proposed as a solution, that large areas are set aside in the major cities, in which the football fans can drink to their *hearts'* content. He advocated that these areas should be surrounded by riot police, who would be the only people to observe the football fans beating each other up.

I think O'Brien is on to a good thing, but he misses the point. Without the unendurable frustration of having to watch football, the youths would become maudlin, but not aggressive. The riot police would pack away their gear. The only people to suffer would be newspaper leader writers.

■ *Dominic Lawson is editor of the The Spectator.*